

DATED 16 MAY, 1917.

Whalen Pulp & Paper Mills, Limited

to

**Montreal Trust Company
TRUSTEE**

Deed of Trust and Mortgage

Securing

An Issue of 6 Per Cent. Serial Mortgage Gold Bonds

**BOWSER, REID, WALLBRIDGE, DOUGLAS & GIBSON,
VANCOUVER, B.C.**

**MCGINNION, CASGRAIN, MITCHELL & CASGRAIN
MONTREAL, QUE.**

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To Montreal Trust Company, trustee, deed

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DATED 1st MAY, 1917.

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Montreal Trust Company
TRUSTEE

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This Indenture dated the first day of May, one thousand nine hundred and seventeen.

Between:

WHALEN PULP & PAPER MILLS, LIMITED, a Company duly incorporated under the laws of the Province of British Columbia, Dominion of Canada, and having its head office in said Province at Merchants Bank Building, Pender Street, in the City of Vancouver in said Province (hereinafter called "The Company"),

Of the First Part,

and

MONTREAL TRUST COMPANY, a Company duly incorporated and having its Head Office in the City of Montreal, in the Province of Quebec, Dominion of Canada, and duly licensed to do business in the Province of British Columbia, (hereinafter called the "Trustee").

the Second Part,

Whereas the Company has deemed it necessary for its corporate purposes to create and issue its 6% Mortgage Serial Gold Bonds to be constituted and secured in the manner hereinafter appearing.

And whereas the Company, under the laws relating thereto and under its Memorandum and Articles of Association, is duly authorized to create and issue the bonds to be issued as herein provided and to secure the same by this Deed of Trust and Mortgage.

And whereas all necessary resolutions of the Directors and Shareholders of the Company have been duly passed to authorize the creation and issue of the bonds intended to be hereby secured and the execution of these Presents and to make the said bonds and these Presents legal and valid and in accordance with the laws relating to the Company;

Now this Indenture witnesseth and declareth as follows:

ARTICLE I.

INTERPRETATION CLAUSE.

In these presents, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the following meanings, namely:—

1. "Deed of Trust and Mortgage" means this Indenture, and the expressions "Deed of Trust and Mortgage" and "this Indenture" are to be deemed to include any and every deed supplemental hereto.

2. "The Bonds" means the bonds of the Company for the time being outstanding and entitled to the benefit of the security hereby created.

3. "The Bondholders" or "the holders" means, as regards registered bonds, the several persons for the time being entered in the register to be kept by the Trustee or other Registrar, as the holders of any of the bonds, and as regards unregistered bonds, the bearers thereof for the time being.

4. "The Directors" means the Directors of the Company for the time being.

5. "Debenture Stock" means the Debenture Stock secured by Deed of Trust and Mortgage dated the 1st day of May, 1917, between the Company of the First Part, and Montreal Trust Company, Trustee, of the Second Part.

6. "The Specifically Mortgaged Premises" means all the real and immovable property, present and future, including buildings, machinery and plant thereon and therein erected and contained, and all stocks, bonds and securities of the Empire Pulp & Paper Mills, Limited, and of the Colonial Lumber and Paper Mills, Limited, owned by the Company and expressed by Section 1 of Article III. of this Indenture to be mortgaged and charged by way of a fixed and specific charge with the payment of the moneys intended to be secured hereby.

7. "The General Assets" means the assets comprised in the floating charge hereinafter created and does not include the specifically mortgaged premises.

8. "The Mortgaged Premises" means and includes the specifically mortgaged premises and the general assets collectively.

9. "The Trustee" means the said Party of the Second Part or other the Trustee or Trustees for the time being of this Indenture.

10. For every purpose of this Indenture the term "Company" includes and means not only Whalen Pulp & Paper Mills, Limited, but also every successor corporation by purchase, consolidation or otherwise. Every successor corporation shall possess and from time to time may exercise each and every right and power hereunder of Whalen Pulp & Paper Mills, Limited, in its name or otherwise, and any act or proceeding by any provision of this Indenture required to be done or performed by any board or officers of the Company may be done and performed with like force and effect by the like board or officers of any corporation that shall at the time be the lawful successor of the Company.

11. "Underlying Bonds" mean the \$650,000 First Mortgage Serial Bonds of the British Columbia Sulphite Fibre Company, Limited, secured by Deed of Trust and Mortgage from said company to Augustus S. Peabody, Trustee, dated the 1st day of November, 1916.

12. And words importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender, and words importing persons shall include firms and corporations, and vice versa.

ARTICLE II.

LIMITATION OF FIRST ISSUE.

1. The Bonds to be issued and certified hereunder are limited in the first instance to the amount of Two million Dollars (\$2,000,000.) par value and such Bonds shall be dated the first day of May, 1917, and shall be in the denomination of One thousand Dollars (\$1000.) and Five hundred Dollars (\$500.) each, and carry interest at the rate of Six per centum (6%) per annum, payable both principal and interest in gold coin of the Dominion of Canada of or equal to the present standard weight and fineness, at the office of the Merchants Bank of Canada, Montreal, or Toronto, Canada, or at the option of the holder in English Sterling at the office of the London Joint Stock Bank, Limited, London, England, at the fixed rate of exchange of Four Dollars and eighty-six and two-thirds cents (\$4.86 2-3) to the Pound (£) Sterling, or in gold coin of the United States of America of or equal to the present standard of weight and fineness at the office of the Northern Trust Company, Chicago, United States of America, or in like gold coin at the agency of said Merchants

Bank of Canada at the City of New York, United States of America, without deduction for any tax or taxes which the Company may be required to pay thereon or retain therefrom under any present or future law of the Dominion of Canada or of any province, county or municipality therein, the Company hereby assuming the payment of all such taxes.

Said Bonds shall be substantially in the form set out in the First Schedule hereto and shall mature in series annually and be numbered as follows:—

Amount	Serial Letters and Numbers	Term	Maturity	Date
\$ 100,000	A1 and upwards	3 years	1st May,	1920
100,000	B1 "	4 "	" "	1921
110,000	C1 "	5 "	" "	1922
120,000	D1 "	6 "	" "	1923
130,000	E1 "	7 "	" "	1924
140,000	F1 "	8 "	" "	1925
150,000	G1 "	9 "	" "	1926
160,000	H1 "	10 "	" "	1927
170,000	I1 "	11 "	" "	1928
180,000	J1 "	12 "	" "	1929
190,000	K1 "	13 "	" "	1930
200,000	L1 "	14 "	" "	1931
250,000	M1 "	15 "	" "	1932
<hr/>				
\$2,000,000				

DELIVERY OF BONDS OF FIRST ISSUE.

2. The said Two million Dollars par value of Bonds shall forthwith be executed by the Company and delivered to the Trustee and shall forthwith be certified by the Trustee and retained subject to the following conditions:—

(a) Bonds of a total aggregate par value of \$650,000. of such numbers and maturities as shall be determined by the Company, shall be retained by the Trustee for the purpose of providing funds for the repayment of the \$650,000. First Mortgage Serial Bonds issued by The British Columbia Sulphite Fibre Company, Limited, (hereinafter called the underlying bonds) and secured by a first charge on the undertaking, property and assets of said Company under a Deed of Trust and Mortgage from the said Company to Augustus S. Peabody, Trustee, dated the 1st day of November, 1916, and such retained Bonds shall from time to time be delivered by the Trustee to the Company or to its order either in exchange for equivalent amounts in par value of the said underlying bonds duly cancelled by Messrs. Peabody, Houghteling & Company, of Chicago, or upon deposit from time to time with the Trustee of equivalent amounts of cash at par. with such

interest and premium as may be payable on the redemption of the underlying bonds for which such moneys are so deposited, and such moneys shall be held by the Trustee for the redemption of such underlying bonds, and upon such redemption shall be paid by it to the holders thereof upon surrender to it or to its agents and representatives of their respective Bonds; and the Company hereby covenants and agrees with the Trustee that it will exercise or cause to be exercised the right given to The British Columbia Sulphite Fibre Company, Limited, under Section 45 of the said Deed of Trust and Mortgage, to redeem all its outstanding Bonds in the manner therein provided upon being so requested in writing by Royal Securities Corporation, Limited, provided such request in writing is made at least one hundred days before any interest payment date, and upon receipt of such request in writing, it will forthwith give or cause The British Columbia Sulphite Fibre Company, Limited, to give the notices required to be given by said Section 45, and will redeem and pay the balance of the underlying Bonds outstanding on the interest payment day next succeeding the date of such request, and accrued interest thereon, and the premium of two and a half per cent. payable on such prior redemption, in accordance with the provisions of said Section 45, and upon the redemption and payment of all the said Bonds, interest and premium, the Company will forthwith cause the mortgage securing the Bonds so redeemed and paid to be discharged and such discharge to be registered in the proper Registry Offices, and will deliver to the Trustee evidence of the registration of such discharge;

(b) The remainder of said Bonds retained by the Trustee, to wit, Bonds of the par value of \$1,350,000.00, are reserved for the purpose of providing funds for the construction of the pulp mill and the development of the water power at Quatsino Sound now in course of construction by the Colonial Lumber and Paper Mills, Limited, the greater part of whose capital stock is pledged and charged hereunder, and in the event of the Company not acquiring the undertaking, property and assets of the Colonial Lumber and Paper Mills, Limited, on or before the thirtieth day of June, 1917, the Company hereby covenants and agrees that it will purchase from the said Colonial Lumber and Paper Mills, Limited, at Ninety per cent. of their par value, Two million Dollars (\$2,000,000.00) par value of its 6% First Mortgage Gold Bonds secured by first mortgage and charge upon all its undertaking, property and assets by Deed of Trust and Mortgage satisfactory in form and substance to the Royal Securities Corporation, Limited, and appraised by it in writing, the purchase price of said Bonds to be used by Colonial Lumber and Paper Mills, Limited, in payment of the liabilities of said company and for construction

purposes and for providing working capital, and the Company further covenants and agrees with the Trustee that, in such event, it will cause said Colonial Lumber and Paper Mills, Limited, to expend upon the construction of the said pulp mill and development of the water power at Quatsino Sound out of such purchase price such sum as is necessary to make the total amount expended thereon, including the amount expended since the first day of July, 1916, the sum of One Million six hundred and fifty thousand Dollars (\$1,650,000.00), and any sums expended in excess of the said sum of One Million six hundred and fifty thousand Dollars (\$1,650,000.00) on such construction work or for additional property or permanent improvements, extensions or additions, may form the basis of the issue of additional Bonds hereunder as hereinafter provided, and the said \$1,350,000.00 of Bonds reserved in the hands of the Trustee hereunder shall be delivered to the Company upon deposit with the Trustee hereunder of the said Two million Dollars (\$2,000,000.00) of 6% First Mortgage Bonds of said Colonial Lumber & Paper Mills, Limited, or delivery of said Bonds may, with the written consent of Royal Securities Corporation, Limited, be made by the Trustee from time to time proportionately to the amount in par value of the said First Mortgage Bonds of said Colonial Lumber and Paper Mills, Limited, from time to time deposited with the Trustee, and all of said Bonds so deposited shall be held by the Trustee upon the trusts and subject to the terms and provisions herein declared and contained as security for the Bonds issued and outstanding hereunder, but in the event of the undertaking, property and assets of said Colonial Lumber and Paper Mills, Limited, being acquired by the Company and duly mortgaged and charged to the Trustee hereunder, the said \$1,350,000.00 of Bonds so reserved or the balance thereof then in the hands of the Trustee shall be delivered by the Trustee to the Company from time to time as the said work of constructing the said pulp mill and said water power at Quatsino Sound progresses in such amounts as may from time to time be approved in writing by Royal Securities Corporation, Limited, or the said Bonds or the balance thereof may from time to time be delivered to the Company or to its order in advance of said construction upon payment to the Trustee of Ninety per cent. of the par value of the Bonds so delivered from time to time to the Company, in which case the cash so received by the Trustee shall be paid by it to the Company from time to time in such amounts as may be approved in writing by Royal Securities Corporation, Limited.

PROVIDED HOWEVER that, with the written consent of said Royal Securities Corporation, Limited, and upon such terms and conditions as it may prescribe, demand note or notes of said Colonial Lumber and Paper

Mills, Limited, may be temporarily accepted by the Trustee in lieu of First Mortgage Bonds of said Colonial Lumber and Paper Mills, Limited, hereinbefore mentioned, and said \$1,350,000. par value of Bonds or any part or parts thereof may also from time to time be released by the Trustee to the Company for the purpose of enabling it to borrow temporarily funds for any of its corporate purposes or for the corporate purposes of Empire Pulp & Paper Mills, Limited, and said Colonial Lumber and Paper Mills, Limited, or either of them upon such terms and conditions as to the return of said Bonds to the Trustee as may be stipulated by said Royal Securities Corporation, Limited, and agreed to by the Company.

**COVENANTS OF THE COMPANY IN RESPECT OF COLONIAL
LUMBER AND PAPER MILLS, LIMITED, AND EMPIRE
PULP & PAPER MILLS, LIMITED.**

3. The Company hereby covenants and agrees with the Trustee as follows:—

(a) In the event of the Company not acquiring the whole undertaking, property and assets of the Empire Pulp & Paper Mills, Limited, the greater part of whose capital stock is pledged and charged hereunder, on or before the thirtieth day of June, 1917, it will purchase from said Empire Pulp & Paper Mills, Limited, at eighty per cent. of their par value \$800,000 par value of its six p.c. First Mortgage Bonds secured by a first mortgage and charge upon all its undertaking, property and assets by Deed of Trust and Mortgage satisfactory in form and substance to Royal Securities Corporation, Limited, and approved by it in writing, and will deposit said \$800,000. of Bonds of said Empire Pulp & Paper Mills, Limited with the Trustee hereunder to be held by it for the trusts and subject to the terms and provisions herein declared and contained, as security for the Bonds issued and certified hereunder, the purchase price of said Bonds to be used by the Empire Pulp & Paper Mills, Limited, in payment of the liabilities of said Company and for construction purposes, and the Company further covenants and agrees with the Trustee that it will cause said Empire Pulp & Paper Mills, Limited, to expend out of said purchase price such sums in making further improvements, enlargements and additions to the pulp mill situate on Lots 10 and 64, Range IV., Coast District, as will with the sums expended for said purposes since the first September, 1916, amount to the aggregate sum of Three hundred thousand dollars (\$300,000.) and any amounts expended in excess of said Three hundred thousand Dollars (\$800,000.) on such construction

or on additional property or permanent improvements, extensions or additions may form the basis of the issue of additional Bonds in the manner hereinafter provided;

(b) In the event of its acquiring all the shares of the capital stock of the Colonial Lumber and Paper Mills, Limited, and of the Empire Pulp & Paper Mills, Limited, or of either of them, or in the event of its acquiring all the undertaking, property and assets of both or either of said companies all the undertaking, property and assets belonging to both or either of said companies, as the case may be, shall forthwith be transferred, conveyed and made over to the Company, free and clear of all mortgages, charges and liens of every description, and contemporaneously with the execution of the deeds of transfer and conveyance of said undertaking, property and assets of said companies or either of them to the Company, the Company will cause a supplementary deed or deeds of trust and mortgage to be executed and registered, mortgaging and charging as and by way of a fixed and specific first charge to and in favour of the Trustee as security for the Bonds issued hereunder and interest thereon all present and future concessions, pulp and timber leases and licenses, water records, water licenses and franchises, and all real and immoveable property and rights, present and future, of the said two companies or either of them, including all buildings, erections, factories, mills, tramways, reservoirs, wells, roads, piers, wharves, machinery, plant, poles, wires, telephones, railway sidings and trestles thereon erected and any and all easements connected therewith or appertaining thereto, and all fixed and loose machinery, plant, tools, engines and other appliances and fixtures of every kind situate on said real and immoveable property or used in connection therewith, and all seagoing ships and other property capable of being specifically mortgaged and charged, and all shares, bonds and other securities of any other company then owned or thereafter acquired by said two companies or either of them, and by a floating charge in favour of the Trustee over all the other assets of the said two companies or either of them for the time being, both present and future, of whatsoever kind and wheresoever situate, including the undertaking, good will, tolls, rents, incomes, moneys, rights, powers and privileges of said two companies or either of them, said mortgage and charge to be subject in all respects to the terms and conditions hereof, and thereupon the Trustee shall release and transfer to the Company all the shares, bonds and other securities of said two companies or either of them theretofore held by it as security for the Bonds authorized to be issued by the Company and certified by the Trustee hereunder.

**CONDITIONS AND RESTRICTIONS UPON ISSUE OF BONDS
IN EXCESS OF \$2,000,000.**

4. In addition to the first issue of Two million Dollars (\$2,000,000.) par value of Bonds, further Bonds not exceeding Two million Dollars (\$2,000,000.00) par value (making a total aggregate of Four million Dollars (\$4,000,000.00) par value of Bonds which may be issued and certified hereunder) may be issued from time to time by the Company and certified by the Trustee and delivered from time to time to the Company or to its order in the amounts and for the purposes following:—

(1) For an amount of principal equal to Sixty-six and two-thirds per cent. of the actual amount expended by the Company or by the Colonial Lumber and Paper Mills, Limited, in excess of the One Million Six hundred and fifty thousand Dollars (\$1,650,000.) hereinabove referred to, in the construction of the pulp mill and development of the water power at Quatsino Sound and for additional real and immovable properties, buildings, machinery and plants acquired or constructed by the Company or by said Colonial Lumber and Paper Mills, Limited, or for permanent improvements, extensions or additions to or about any of said property or plant, but if the Company shall not then have acquired the whole undertaking, property and assets of said Colonial Lumber and Paper Mills, Limited, the Company shall, before being entitled to delivery of any Bonds under this sub-section, deposit with the Trustee an amount of 6% First Mortgage Bonds of said Colonial Lumber and Paper Mills, Limited, equal at Eighty per cent. of their par value to the amount expended in excess of said One Million six hundred and fifty thousand Dollars (\$1,650,000.) such Bonds to be in excess of the Two million Dollars (\$2,000,000.00) of Bonds to be deposited with the Trustee as hereinabove provided, and the Bonds so deposited shall be held by the Trustee for the trusts and subject to the terms and provisions herein declared and contained as security for the Bonds issued and certified hereunder.

(2) For an amount of principal equal to Sixty-six and two-thirds per cent. of the actual amount expended by the Company or by the Empire Pulp & Paper Mills, Limited, in excess of the Three hundred thousand Dollars (\$300,000.00) hereinabove referred to, in making improvements and enlargements to the pulp mill situated on Lots 10 and 64, Range IV, Coast District, or for additional real and immovable properties, buildings, machinery and plant acquired or constructed by the Company or by said Empire Pulp & Paper Mills, Limited, or for permanent improvements, ex-

tensions or additions to or about any of said property or plant, but if the Company shall not then have acquired the whole undertaking, property and assets of said Empire Pulp & Paper Mills, Limited, the Company shall, before being entitled to delivery of any Bonds under this sub-section, deposit with the Trustee an amount of 6% First Mortgage Bonds of said Empire Pulp & Paper Mills, Limited, equal at Eighty per cent. of their par value to the amount expended in excess of said Three hundred thousand Dollars (\$300,000.00), such Bonds to be in excess of the Eight hundred thousand Dollars (\$800,000.00) of Bonds to be deposited with the Trustee as hereinabove provided, and the Bonds so deposited shall be held by the Trustee for the trusts and subject to the terms and provisions hereindeclared and contained as security for the Bonds issued and certified hereunder.

(8) For an amount of principal equal to sixty-six and two-thirds per cent. of the actual amount expended by the Company after the first day of January, 1918, for any additional immovable property, buildings, machinery or plant which it may acquire or construct, after the said first day of January, 1918, in connection with the properties and plants specifically mortgaged and charged hereunder, and described in Part Three of the Second Schedule hereto or for permanent improvements, extensions or additions made by it after said date to or about any of its properties or plants now or hereafter specifically mortgaged and charged hereunder or for any additional immovable property, buildings, machinery or plant which it may hereafter acquire or construct for seagoing ships.

If the actual amounts expended by the Company and/or by the Colonial Lumber & Paper Mills, Limited, and/or by the Empire Pulp & Paper Mills, Limited, for such additional property, permanent improvements, extensions or additions under the three preceding sub-paragraphs numbered (1), (2) and (3) exceed the fair value thereof (as shown by the certificates hereinafter provided for) then the amount of principal for which additional Bonds may be issued and certified hereunder shall be sixty-six and two-thirds per cent. of such fair value.

For all purposes hereunder "fair value" shall mean the fair physical replacement value after reasonable allowance for depreciation.

Subject to the provisions of this Section 4, additional Bonds may be issued by the Company and certified by the Trustee hereunder and delivered from time to time to the Company or to its order in respect of permanent improvements, extensions or additions in process of construction or erection so far as actually constructed or erected and paid for.

Before the Company and/or the said Colonial Lumber and Paper Mills,

Limited, and/or the Empire Pulp & Paper Mills, Limited, shall, prior to the first day of November, 1918, do any construction or let contracts for such construction, or enter into a contract for the acquisition of property, or acquire property in respect of which the Company shall make application for an issue of additional Bonds under this Section 4, the Company shall submit full plans and specifications and information to the Royal Securities Corporation, Limited, who shall have the absolute right in their discretion either to approve or disapprove such proposed new construction or acquisition of such proposed additional property.

If the Company or either of the said two other Companies shall do new construction or acquire additional property prior to said date, without first obtaining the written consent thereto of said Royal Securities Corporation, Limited, but shall subsequently after such construction is done or in process, or such property is acquired, seek to obtain the consent and approval of Royal Securities Corporation, Limited, said Corporation shall have the absolute right in its discretion to refuse and withhold such consent, and shall in no way be bound to give the same by reason of the fact that the Company or either of the said two other Companies may have begun such construction or acquired such property or incurred liabilities on account thereof.

Provided, however, that said consent of Royal Securities Corporation Limited shall not be required in respect of any construction done or additional property acquired after the undertaking and assets of both said Colonial Lumber and Paper Mills Limited and Empire Pulp & Paper Mills Limited have been transferred to the Company.

No Bonds shall be certified and issued for any such additional properties, improvements, extensions or additions if the same have been acquired or constructed out of the proceeds of any of the debenture stock or out of the moneys of the Special Reserve Fund mentioned in the Deed of Trust and Mortgage securing such Debenture Stock or as substituted property under the provisions of this Indenture or of the Deed of Trust and Mortgage securing the Debenture Stock, with reference to the release of property from the liens respectively thereby created, or with the proceeds of any property so released or with insurance moneys received in payment of losses or in respect of expenditures for pulp or timber lands licenses or leases, or for the purchase of water rights, licenses, or franchises, or for stock, shares, bonds, debentures or other securities other than the bonds hereinbefore mentioned of said Colonial Lumber and Paper Mills Limited and Empire Pulp & Paper Mills Limited.

The Trustee shall certify and deliver Bonds under this Section 4, however, only:—

1. If the annual interest on Bonds and Debenture Stock previously issued and outstanding, on the Underlying Bonds and on the Bonds for whose issuance application is made be thrice covered by the net earnings of the Company for its preceding fiscal year calculated as hereinafter provided, provided that any dividends on the Stock and interest on the Bonds of the Empire Pulp & Paper Mills, Limited, and/or of the Colonial Lumber and Paper Mills, Limited, which shall be included in such net earnings of the Company, shall not exceed the net earnings of said companies respectively for the same period, calculated in the same manner, as certified by the Company's auditors in the manner hereinafter provided;

2. If any sanction of the shareholders required by the Company's Articles shall have been duly given and a copy of the resolution evidencing such sanction, certified by the Secretary under the Seal of the Company to have been passed by the shareholders at a general meeting properly convened and held, shall have been furnished to the Trustee.

3. If the Trustee shall have been duly furnished with:

(a) The written approval (whenever same is required under the provisions hereof) of Royal Securities Corporation, Limited, evidenced by a copy of a resolution of its Board of Directors duly certified by the Secretary under the Seal of the Corporation, of the capital expenditures made by the Company, in respect of which the Company shall request any issue of Bonds under this Section 4;

(b) A copy of a resolution certified by the Secretary under the seal of the Company to have been adopted by the vote of a majority of all the Directors of the Company, requesting the Trustee to certify and deliver Bonds specifying the principal amount of Bonds called for and the particulars in regard to said Bonds required to be determined by the Directors pursuant to the provisions of Section 6 of this Article, and stating the actual amount expended by the Company and/or by said Colonial Lumber and Paper Mills, Limited, and/or by said Empire Pulp & Paper Mills, Limited, as the case may be, or the additional property, permanent improvements, extensions or additions included in the certificate next hereinafter mentioned, and naming the officer or officers of the Company to whom or upon whose written order such Bonds shall be delivered;

(c) A certificate signed and verified by the President or a Vice-

President and by an Engineer appointed by the Board of Directors of the Company and approved by the Trustee, specifying with reasonable detail the additional property, permanent improvements, extensions or additions made by the Company and/or by said Colonial Lumber and Paper Mills, Limited and/or by said Empire Pulp & Paper Mills, Limited in respect of which the Company is entitled to have Bonds certified by the Trustee and delivered to it to the extent and in the manner in this section provided, and stating that the actual amount expended thereon was not, in the signers' opinion, in excess of the fair value thereof, or in case the amount expended thereon is, in the signers' opinion, in excess of the fair value thereof such certificate shall state the fair value thereof and that all sums due on or with respect to such additional property or permanent improvements, extensions or additions, to the date of such certificate, have been paid in full and that there are no liens of material-men or contractors upon or against the same or any part thereof, and that no part of such additional or permanent improvements, extensions or additions has been included in any preceding certificate upon the basis of which any Bonds have been certified and delivered under this section 4 or any debenture stock has been certified and delivered under Section 8 of Article II. of the Deed of Trust and Mortgage securing said stock, or has been acquired with the moneys of the Special Reserve Fund mentioned in Article XIV of the Deed of Trust and Mortgage securing the debenture stock or as substituted property under the provisions of this indenture and of the Deed of Trust and Mortgage securing the debenture stock with reference to the release of property from the liens respectively thereby created or with the proceeds of any property so released or with insurance money received in payment of losses or in respect of expenditures for pulp or timber lands licenses or leases, or for the purchase of water rights, licenses or franchises, or for stocks, shares, bonds or other securities, other than the bonds hereinbefore mentioned of said Colonial Lumber and Paper Mills and Empire Pulp & Paper Mills Limited and that such expenditures are properly chargeable to capital account and that the Company is not, to the knowledge of the President or Vice-President who signed the certificate, in default in the performance of any of the terms or covenants of this indenture;

(d) A certificate signed by the Company's auditors showing the actual amount expended by the Company or by the Colonial Lumber and Paper Mills, Limited or by the Empire Pulp & Paper Mills, Limited for such additional property or permanent improvements, extensions or additions, and the net earnings of the Company (after making reasonable and customary provision and reserves for maintenance and for depreciation of buildings, machinery and plant and for all taxes and interest charges other than

interest on the Bonds, Underlying Bonds and Debenture Stock) for its preceding fiscal year.

(e) Such instruments of conveyance, assignment and transfer as may be necessary, in the opinion of Counsel (who may be Counsel to the Company) selected by the Board of Directors of the Company and approved by the Trustee, to vest in the Trustee to hold as part of the specifically mortgaged premises hereunder all the right, title and interest of the Company in and to the property with respect to which the certification of Bonds shall be requested, or the opinion of such Counsel that no such instruments are necessary for such purpose, and also the opinion of such Counsel that the Company or the Colonial Lumber and Paper Mills, Limited, or the Empire Pulp & Paper Mills, Limited, as the case may be, has title to such property forming the basis of such issue of Bonds, subject to no Deed of Trust, mortgage, lien, charge or encumbrance thereon (except taxes for the then current year and the underlying Bonds) or affecting the title thereto ranking in priority to the mortgage and charge hereunder or the mortgage and charge under the deeds of trust and mortgage securing the Bonds issued by said Colonial Lumber and Paper Mills, Limited, and Empire Pulp & Paper Mills, Limited, and pledged and charged to the Trustee hereunder;

(f) An acknowledgment of indebtedness by the Company to the Trustee for the par value of the Bonds proposed to be issued.

In event of the Company desiring to issue additional Bonds under the provisions of this Section 4 before it has completed twelve months' operations, then for the purpose of arriving at the net earnings of the Company there shall be included the net earnings of The British Columbia Sulphite Fibre Company, Limited, and Empire Pulp & Paper Mills, Limited, (calculated and certified in the same manner as is provided in respect of the earnings of the Company) for as many months as may be necessary to make a complete year, and such combined twelve months period shall be deemed a fiscal year for the purposes of this section.

LIABILITY OF ROYAL SECURITIES CORPORATION LIMITED

5. The Royal Securities Corporation, Limited, shall incur no liability or responsibility hereunder by either giving or withholding its consent or approval whenever required under any of the terms of this Indenture; and in the event of the winding up of the said Royal Securities Corporation, Limited, any consent or approval of the said Corporation required under any provisions of this Indenture shall no longer be necessary, but subject

to all of the conditions hereinbefore set out except the approval of the said Corporation, the Trustee may certify and deliver Bonds to or to the order of the Company for the purposes authorized hereunder from time to time in such amounts as may be requested by the Company.

FORM OF ADDITIONAL BONDS.

6. All Bonds issued and certified in accordance with the provisions of Section 4 of this Article and secured hereunder shall be payable in gold coin of the Dominion of Canada or of the United States of America of or equal to the present standard of weight and fineness, or in English Sterling at the fixed rate of exchange of Four dollars and eighty-six and two-thirds cents to the Pound (£) Sterling, and shall be in such denominations or for such amounts, and bear such dates as may from time to time be determined by resolution of the Board of Directors and expressed in the Bonds, said interest to be payable in like gold coin at such times and at such places as the said Board may determine in said resolution, and said Bonds shall be in such form or forms as may be determined in said resolution with the approval of the Trustee.

All additional Bonds issued from time to time under this Section 6 shall be serial Bonds, shall carry interest at the rate of six per centum per annum, and shall mature annually on the first day of May in twelve instalments beginning with the third year and ending with the fifteenth year after the year of issue. The amount of each of such twelve annual instalments shall be in the same proportion to each other as the instalments herein provided for the repayment of the present issue of \$2,000,000. Such Bonds shall be serially numbered and lettered in the same manner as the first issue of \$2,000,000. of Bonds hereunder.

BONDS NOT TO BE ISSUED FOR MAINTENANCE CHARGES.

7. No bonds shall be issued under this Indenture for the purpose of providing funds for the Company to keep or maintain the property covered by this Indenture in good and business-like working order and condition, merely to replace old, inadequate or worn-out property; provided, however, that whenever old, inadequate or worn-out property is replaced by property costing more than such old, inadequate or worn-out property would cost if new at the time of replacement, then such excess of cost of such other property acquired to replace the old, inadequate or worn-out property, and such excess only, shall be deemed permanent improvements, extensions or additions, for which bonds may be certified and delivered.

TRUSTEE NOT BOUND TO MAKE ENQUIRY.

8. The Trustee, prior to the certification and delivery of any bonds under any of the provisions of this Indenture, shall not be bound to make any further inquiry or investigation as to the correctness of the matters set forth in any of the resolutions, certificates and opinions required by the provisions hereof, unless it shall have been requested in writing so to do by the holders of not less than twenty-five per cent. of the outstanding bonds and shall have been furnished with adequate security and indemnity against the costs and expenses of such examination; but it may in its discretion make any such independent inquiry or investigation as it may see fit. If the Trustee shall determine or shall be requested, as aforesaid, to make such further inquiry, it shall be entitled to examine the books, records and premises of the Company, either personally or by agent or attorney; and unless satisfied with or without such examination of the truth and accuracy of the matters stated in any such resolution, certificate or opinion, the Trustee shall be under no obligation to certify and deliver the bonds applied for. The reasonable expenses of every such examination shall be paid by the Company, or if paid by the Trustee, shall be repaid by the Company upon demand, with interest at the rate of six per cent. per annum from the date of such payments, and such payments and interest shall have the benefit of the lien hereby created in priority to the indebtedness evidenced by said bonds and coupons.

SIGNATURE TO BONDS AND COUPONS.

9. All bonds secured hereby shall be under the seal of the Company, and shall be signed by the President or one of the Vice-Presidents or Directors of the Company and by the Secretary or Assistant Secretary of the Company holding office at time of signing, and notwithstanding any change in any of the persons holding said offices between the time of actual signing and the certifying and delivery of the bonds, and notwithstanding the President or Vice-President or Director or Secretary or Assistant Secretary signing may not have held office at the date of the bonds, or at the date of the certifying and delivery thereof, the bonds so signed shall be valid and binding upon the Company. The interest coupons attached to the bonds shall have engraved or lithographed thereon the signature of the Treasurer or Secretary of the Company, and such signature shall for all purposes be deemed the signature of such officer, and shall be binding upon the Company, notwithstanding that the person whose signature may have been so engraved or lithographed is not at the date when the bond is issued,

or the coupon is presented for payment, the Treasurer or Secretary of the Company.

BONDS NOT OBLIGATORY UNTIL CERTIFIED BY TRUSTEE.

10. No bond shall be issued, or, if issued, shall be obligatory or shall entitle the holder to the benefit of the security hereby created until it has been certified by or on behalf of the Trustee in the form or substantially in the form annexed to the form of Bond contained in the First Schedule hereto or in some other form approved by the Trustee.

ISSUE OF INTERIM BONDS OR CERTIFICATES.

11. Pending the delivery of engraved bonds to the Trustee the Company may issue an interim bond or bonds and deliver the same to the Trustee and thereupon the Trustee may issue and certify interim bonds or certificates, with or without coupons, in such form and in such amounts as the Trustee and the Company may approve, entitling the holders thereof to engraved bonds when the same are prepared; and when issued and certified by the Trustee, such interim bonds or certificates shall entitle the holders thereof to rank for all purposes in respect of this Indenture to the same extent and in the same manner as though the said exchange had actually been made.

BONDS MAY BE ISSUED AT A DISCOUNT.

12. The bonds may be issued in such amounts to such persons on such terms and either at par or at a discount or at a premium as the Directors may determine.

REGISTRATION OF BONDS.

13. The Company shall at all times keep at the office of the Trustee in the City of Montreal, and may keep at such other places as may be approved by the Company and the Trustee, registration books in which the holder or holders of bonds may register the same. Such registration shall be noted on the bond, after which no transfer shall be valid unless made by the registered owner or his attorney on the transfer book at the office where such bond is registered, and similarly noted on the same bond but any bond may be discharged from registry by being transferred to bearer after which it shall be transferable by delivery, but may be again and from time to time registered and discharged from registry. The Trustee or other Registrar, shall be entitled to a fee of fifty cents per bond for each registration, to be paid by the Bondholder.

Notwithstanding registration of a bond the coupons when detached shall continue to be negotiable.

14. The registered holder for the time being of any of the bonds when registered, and the bearer thereof for the time being when not registered and the bearer of each of the interest coupons annexed to any of the bonds shall be entitled to the principal moneys and interest secured by such instruments respectively free from all equities or rights of set-off or counter-claim between the Company and the original or any intermediate holder thereof and all persons may act accordingly, and the receipt of any such registered holder or bearer, as the case may be, for any such principal moneys and interest shall be a good discharge to the Company or the Trustee for the same and neither the Company nor the Trustee shall be bound to enquire into the title of any such registered holder or bearer. No notice of any trust will be entered on the register of bonds and the Company shall not be bound to take notice of or see to the execution of any trust, whether express, implied or constructive.

15. As regards unregistered bonds, the Company and the Trustee may treat a certificate signed by any bank approved by the Trustee, stating that the bearer of the certificate is entitled to any specified bond or bonds hereby secured, and that such bond or bonds have been deposited with such bank and will remain so deposited until the surrender of the certificate as sufficient evidence of the facts certified as far as concerns any request, direction or consent to be made or given by the holder of the bond or bonds and as regards registered bonds so far as concerns any request or direction or consent as aforesaid the Company and the Trustee may treat the registered owner of any bond or bonds as the owner of the same without actual production of such bond or bonds. The bearer of bonds not registered and the bearer of interest coupons may be treated by the Company and the Trustee as the absolute owner of such bond or coupons for all purposes.

POST OFFICE ADDRESS OF BONDHOLDERS

16. The Company shall keep at the office of the Trustee in the City of Montreal, a register or registers in which shall be entered the name, occupation and post office address of every holder of any of the bonds who may so require. Every Bondholder may communicate his post office address to the Trustee, and all notices to be sent hereunder with respect to the bonds shall be deemed to be validly given by registered mail, prepaid, addressed to said Bondholder at such post office address as aforesaid. Bondholders who have not registered their bonds or their post office

address as herein provided shall be notified by advertisement in "The Gazette" or some other newspaper published in the City of Montreal, approved by the Trustee, and "The New York Times" or some other newspaper published in the City of New York, U.S.A., approved by the Trustee, in two consecutive issues, and such advertisement shall be deemed valid notice for all purposes connected with the present instrument unless otherwise herein provided, and any notice so advertised or served by post shall be deemed to have been given or served at the expiration of ten days after it is posted or first advertised as aforesaid.

TO ALTER FORM OF BOND OR DEED

17. The Trustee may, without the consent of, or the concurrence of, the bondholders, concur with the Company in making any modifications in these presents and in the form of bond or coupon or Trustee's Certificate, which shall, in the opinion of the Trustee, be expedient to make, with a view of obtaining a quotation of the bonds on the Montreal, New York or any other Stock Exchange, provided that the Trustee shall be of opinion that such modifications will not be prejudicial to the interests of the Bondholders.

LOST OR MUTILATED BONDS

18. If any bond or any of the coupons thereto pertaining shall be lost, mutilated or destroyed, the Company may, with the approval of the Trustee and on such terms as to indemnity or otherwise as the Trustee and the Company may, in their discretion, impose, cause to be issued and certified a new bond or coupon of like tenor at date, and bearing the same serial number as the bond or coupon so mutilated, lost or destroyed, and which bond or coupon shall be secured hereby.

BONDS SECURED PARI PASSU

19. These presents shall secure the payment of each and all of the bonds issued and certified hereunder and interest thereon without preference or priority of any one over any other bond by reason of priority in the issue, negotiation or registration thereof, and each bond so soon as issued, reissued or negotiated shall, subject to the terms hereof, be equally and proportionately secured hereby as if all had been issued, reissued and negotiated simultaneously.

REISSUE OF PLEDGED BONDS

20. Should the Company pledge any of the bonds, and should the Company redeem or get back the bonds so pledged, then the Company

may from time to time reissue the same or any of them or an equal amount, and the holders thereof from time to time shall be bondholders hereunder, and shall be entitled to all the rights, securities and advantages hereby given.

ARTICLE III.

CHARGE AND MORTGAGE

1. In consideration of the premises and or One Dollar (\$1) to it in hand paid by the Trustee (receipt whereof is hereby acknowledged) and to secure the due payment of the principal and interest of the bonds and the performance of the obligations of the Company herein contained, and in pursuance of the power and authority hereinbefore recited, and of every other power and authority it thereunto enabling, the Company (subject to the mortgage and charge securing the underlying Bonds for the payment of which provision is made hereunder) hereby mortgages and charges as and by way of a fixed and specific first charge in favour of the Trustee with the payment of the principal and interest of the bonds issued by the Company and certified by the Trustee hereunder at any time outstanding according to their tenor, and all other sums from time to time due hereunder to the Trustee, its successors and assigns, the shares of the capital stock of the Empire Pulp & Paper Mills, Limited, mentioned in Part One of the Second Schedule hereto and all shares of the capital stock, bonds, debentures and other securities of the said company which the Company may at any time own or hereafter acquire, and the shares of the capital stock of the Colonial Lumber and Paper Mills, Limited, mentioned in Part Two of the Second Schedule hereto, and all shares of the capital stock, bonds, debentures and other securities of the said company which the Company may at any time own or hereafter acquire, and all and singular the present and future concessions, pulp and timber leases and licenses, water records, water licenses and franchises, and all the real and immoveable property and rights now owned or hereafter acquired by the Company, with all buildings, erections, factories, mills, tramways, reservoirs, wells, roads, piers, wharves, machinery, plant, poles, wires, telephones, railway sidings and trestles thereon erected, and any and all easements connected therewith or appertaining thereto, and all its fixed and loose machinery, plant, tools, engines and other appliances and fixtures of every kind thereon or used in connection therewith including but without in any way limiting the generality of the foregoing description the properties described and mentioned in Part Three of the Second Schedule hereto.

2. And for the same consideration and for the same purposes and pursuant to the same powers the Company hereby charges in favor of the Trustee with the payment of all principal moneys, interest and other moneys for the time being and from time to time owing on the security of this Indenture and of the bonds, all its assets, for the time being, both present and future, of whatsoever kind and wheresoever situate (other than the specifically mortgaged premises), including its undertaking, good will, tolls, rents, incomes, moneys, rights, powers and privileges, and the shares, stock, bonds, debentures and other securities of any company or corporation (other than the Empire Pulp & Paper Mills, Limited, and the Colonial Lumber and Paper Mills, Limited), now owned or hereafter acquired by the Company; and the charge created by this section shall (except as regards the specifically mortgaged premises) be a floating charge, and shall accordingly in no way hinder or prevent the Company, until the security hereby constituted shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, from selling, alienating, mortgaging, hypothecating, charging, leasing, paying dividends out of profits, or otherwise disposing of or dealing with such assets in the ordinary course of business and for the purpose of carrying on the same but without limiting the generality of the foregoing provision it shall in no way hinder or prevent the company from borrowing from bankers or others on the security of the Company's book debts, cordwood, pulpwood (but not standing timber), pulp, paper, logs, lumber, raw materials or other stock-in-trade, or mercantile documents relating to goods sold or shipped to or by the Company, such sums of money as the Company may from time to time deem necessary for the purpose of carrying on its business, and the Company covenants that it will not, save as aforesaid, create any mortgage or charge on the mortgaged premises, or any part thereof, ranking or purporting to rank in priority to or pari passu with the security hereby constituted.

TO HAVE AND TO HOLD the mortgaged premises unto the said Trustee, its successors and assigns forever, but in trust nevertheless as security for the payment of the principal and interest of the bonds, and for the purposes and subject to the conditions, provisions, covenants and stipulations herein expressed but subject to the mortgage and charge securing the underlying bonds hereinabove mentioned.

PROVIDED ALWAYS that until the security hereby created shall become enforceable, the Company shall, subject, however to the express terms

hereof, be suffered and permitted to possess, operate, manage, use and enjoy the mortgaged premises, and to take and use the rents, incomes, profits and issues thereof, and pay dividends thereout and otherwise dispose of or deal with such assets in the ordinary course of its business including the dividends, profits and interest which may become payable upon or in respect of any shares, stocks, bonds, debentures or other securities forming part of the specifically mortgaged premises, and any such dividends, profits or interest received by or for the Trustee shall be paid over to the Company; Provided, however, and hereby it is declared and agreed, except as in this indenture otherwise expressly provided, that (1) the Company shall not be entitled to receive, and the Trustee shall not pay over to the Company, the principal of any bonds, debentures or other securities specifically mortgaged hereunder; (2) the Company shall not be entitled to receive, and the Trustee shall not pay over to the Company, any interest on any such bonds, debentures or other securities which shall have been collected or paid out of the proceeds of any sale or condemnation of the property covered by a mortgage securing such bonds, debentures or other securities, or out of the proceeds of the sale or condemnation of any other property of the company liable upon such bonds, debentures or other securities, in case of the dissolution or a liquidation of such company, or of any condemnation of any of its property, it being the intention that the Company shall be entitled to receive only payments made in money out of the rents, revenues, income or proceeds of operation of such properties; (3) the Company shall not sell, assign or transfer any coupon, or right to interest or dividends in respect of any of the shares, stock, bonds, debentures and other securities specifically mortgaged hereunder to which it shall be entitled hereunder, except subject to this indenture; (4) the Company shall not collect any such coupon or right to interest or dividends by legal proceedings or by enforcement of any security therefor, except with the assent of the Trustee, nor in any manner which the Trustee shall deem prejudicial to the trusts hereunder; (5) the Company shall not be entitled to collect any stock dividends that may be declared on any shares of the capital stock of other corporations that are or shall have been specifically mortgaged hereunder or any cash dividends on any such shares that may become payable upon or in the course of the dissolution, liquidation or winding up of any such company, or in any way which shall be chargeable to or be payable out of capital; and (6) until actually paid, released or discharged, every coupon, or right to such interest or dividends, shall remain subject to this indenture, and provided further that if any such coupon, or if any evidence of any such right to interest or dividends, delivered to the Company hereunder, shall not forthwith be paid or cancelled as aforesaid, the Company shall return the same to the Trustee, and, in case of the payment of any such coupon,

interest or dividends shall furnish, upon the demand of the Trustee, satisfactory evidence of the cancellation and extinguishment thereof; and the Company, by its officers or others thereunto duly authorized, shall be entitled, under proxies in that behalf to be given by the Trustee or other holders of said shares, stocks, bonds, debentures or other securities forming part of the specifically mortgaged premises, to exercise the voting powers conferred by such shares, stocks, bonds, debentures and other securities so long as the security hereby constituted shall have not become enforceable, but the voting powers shall not be exercised for any purpose inconsistent with the provisions or purposes of this Indenture, and from time to time the Trustee or such other holders shall forthwith execute and deliver to the Company or its nominees suitable proxies, and such proxies shall bear on their face the following statement "The powers hereby conferred shall not be exercised for any purpose inconsistent with the provisions or purposes of the Deed of Trust and Mortgage and dated 1st day of May, 1917, securing the 6 per cent. Mortgage Serial Gold Bonds of Whalen Pulp & Paper Mills Limited"; AND PROVIDED that, if and so long as the Company shall not be entitled to said proxies by reason of the security hereunder having become enforceable and the Trustee having determined to enforce the same, the Trustee shall have the right to vote upon the said shares, stocks, bonds, debentures and other securities, and the Trustee during the same period may retain the said dividends, profits and interest and may pay the same or any balance thereof over to the Company upon the default ceasing or being made good; PROVIDED ALSO that, shares of stock which may at any time be specifically mortgaged hereunder shall be deposited with or transferred and assured to the Trustee or to any person or corporation on the Trustee's behalf, and the Trustee shall from time to time as required by the Company do whatever may be necessary in order to enable the company to preserve the corporate existence and the corporate rights and franchises of such companies and to carry on their respective businesses and for such purposes the Trustee shall permit the transfer from time to time of so many of said shares and stocks as may be necessary to qualify persons to act as directors of the said company or as other officers thereof, upon obtaining from such persons proper declarations of trust in respect of the said qualifying shares; AND PROVIDED FURTHER that nothing in this Indenture contained shall prevent the winding up or liquidation of any company the shares or stock in the capital of which now or hereafter are transferred or assured to the Trustee or which the Trustee is entitled to have transferred or assured to it hereunder, to the end that the undertaking, property and assets of any

such Company may be properly and effectively conveyed to the Company and become part of the mortgaged premises.

3. It is hereby declared that the last day of any term of years reserved by any lease verbal or written or any agreement therefor now held or hereafter acquired by the Company and whether falling within a general or particular description of the property hereunder is hereby excepted out of the mortgage and charge hereby created and does not and shall not form any part of the mortgaged premises, but the Company shall stand possessed of the reversion remaining in the Company of any leasehold premises for the time being demised as aforesaid upon trust for the Trustee, for the purposes of these presents, and to assign and dispose thereof as the Trustee shall for such purposes direct, and upon any sale or sales of the leasehold premises or any part thereof, the Trustee shall, for the purpose of vesting the aforesaid residue of any such term or any renewal thereof in any purchaser or purchasers thereof be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new Trustee or Trustees of the aforesaid residue, and any renewal of any such term in the place of the Company, and to vest the same accordingly in the new Trustee or Trustees so appointed freed and discharged from any obligation respecting the same, and the Company hereby assigns to the Trustee, its successors and assigns, the full benefit of all covenants, powers, provisos, and conditions contained in any lease, verbal or written, or any agreement therefor now existing or hereafter to be acquired by the Company, and any renewal or renewals thereof.

If and whenever from time to time so long as any of the bonds shall be outstanding and unpaid the Company shall be entitled to or would but for these presents be entitled to obtain a renewal or renewals of any leases, licenses, concessions or agreements, or to obtain any new lease or leases of any premises demised to the Company, or to obtain any licenses, concessions or agreements, it will from time to time duly exercise all and every such rights of renewal or otherwise, and will obtain such new leases, licenses, concessions or agreements for the longest time or times respectively and upon the most favorable terms obtainable, including all rights of further renewal, and will from time to time forthwith after the making thereof, assign all such leases, licenses, concessions and agreements to the Trustee saving and excepting the respective last days of any terms thereby granted, which shall be held by the Company in trust for the purposes and in the manner hereinbefore provided.

4. The mortgages and charges hereby created shall be and have

effect, whether or not the moneys thereby secured shall be advanced before or after or at the same time as the issue of any of the bonds intended to be thereby secured or the advance of the moneys thereby secured or any part thereof, or before or after or upon the date of the execution of these presents.

5. The Company shall forthwith and from time to time execute and do all deeds, documents and things which in the opinion of the legal advisers of the Trustee are proper for giving the Trustee (so far as may be possible under the local laws of the places where the said premises are situate respectively), a valid fixed and specific charge, mortgage or security upon the specifically mortgaged premises and a valid floating charge and security of the nature hereinbefore specified upon the residue of the mortgaged premises (subject only to the underlying Bonds) for all principal moneys and interest for the time being and from time to time owing on the security of these presents and the bonds, and all other moneys intended to be secured by these presents and for conferring upon the Trustee such powers of sale and other powers over the mortgaged premises as are hereby expressed to be conferred.

ARTICLE IV.

EVENTS OF DEFAULT

1. The present security shall become enforceable by the mere happening of any of the events following (subject always to the waiver by the Trustee hereinafter provided for):—

DEFAULT IN PAYMENT OF INTEREST

(a) If the Company makes default in payment of any interest due on the bonds, or on any of them, and the said default shall have continued for a period of sixty days.

DEFAULT IN PAYMENT OF PRINCIPAL

(b) If the Company fails to pay the bonds or any principal moneys at maturity or within sixty days thereafter.

INSOLVENCY OF COMPANY

(c) If the Company shall become insolvent or bankrupt or make a general assignment for the benefit of creditors or otherwise acknowledge its insolvency.

(d) If an order is made by a Court of competent jurisdiction or an effective resolution passed for winding up the Company.

(e) If a receiver be appointed or an encumbrancer take possession of the mortgaged premises or any part which is, in the opinion of the Trustee, a substantial part thereof.

EXECUTION ISSUED

(f) If any process of execution be levied or enforced upon or against any of the chattels or property of the Company and remain unsatisfied for a period of two weeks as to moveables and four weeks as to immoveables.

COMPANY IN DEFAULT

(g) If the Company shall make default in observing or performing any other covenant or condition herein contained and on its part to be observed and performed and if such default shall thereafter in addition continue for a period of two months after notice in writing has been given by the Trustee to the Company specifying such default and requiring the Company to put an end to the same.

Provided that a resolution or order for winding up the Company, with a view to its reconstruction or its consolidation, amalgamation or merger with another company by the transfer of its assets to such other company, shall not make the security enforceable under sub-section (d) of this present section, if such last-mentioned company shall, within three calendar months from the passing of the resolution or the date of the order, enter into a covenant with the Trustee to pay the principal money, interest or other moneys intended to be secured by these presents and the bonds, and to perform and observe all the obligations of the Company under these presents; and nothing contained in these presents or in any bond hereby secured, shall prevent any such reconstruction, consolidation, amalgamation, or merger of the company with any other company, or any conveyance, transfer or lease of all or part of the mortgaged premises to such other company for the purpose of effecting such reconstruction, consolidation, amalgamation or merger.

Provided however that such consolidation, amalgamation, merger, sale or lease shall be upon such terms as to preserve and not to impair the lien and security of these presents.

2. In the event of the security hereunder becoming enforceable in any way specified in Section 1 of this Article IV, except by default in

the payment of any principal monies at maturity, the holders of at least one-half of the total amount in value of the bonds which shall then be outstanding shall have power by an instrument in writing under their hands and seals, or by the affirmative vote of such holders at a meeting duly convened and held as hereinafter provided, to instruct the Trustee to waive and the Trustee shall thereupon waive such default or such rights of enforcement of the security hereunder on such terms and conditions as such instrument or vote shall prescribe; provided always that no act or omission either of the Trustee or of the bondholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom.

3. In case the security hereby constituted shall become enforceable as hereinbefore provided, the Company shall and will pay forthwith to the Trustee on demand for the benefit of the holders of the bonds secured hereby the principal and interest then due upon all of the bonds then outstanding, and such payment when made shall be deemed to have been made on such bonds and coupons, and any moneys so received by the Trustee shall be applied in the same manner as if they were proceeds of the sale of the property mortgaged and c' arged hereunder.

ARTICLE V.

REMEDIES IN CASE OF DEFAULT

ENTRY ON DEFAULT

1. In case the security hereby constituted shall have become enforceable as herein provided, and the Company shall have failed to pay to the Trustee, on demand, the principal and interest due upon all the Bonds outstanding, the Trustee may, in its discretion, and, upon the request in writing of the holders of one fourth of the total amount in value of the bonds then outstanding, shall (subject to the provisions of Section 11 of this Article) by its officers, agents, or attorneys enter into and upon and take possession of all or any part of the property hereby mortgaged, pledged and charged or intended so to be, and each and every part thereof, and all other property, privileges, revenues and franchises of the Company comprised in or connected with the mortgaged premises, and thenceforth have, hold, possess and use the said properties, privileges, franchises and revenues, comprised in the mortgaged premises, and each and every part thereof, subject to the lien of these presents, with full power to carry on, manage and conduct the business operations of the Company including the power to borrow money or

advance its own moneys for the purposes of the business (any moneys so borrowed or advanced and interest thereon shall form a first charge upon the mortgaged premises in priority to the said bonds), and to receive the rents, incomes, issues and profits of said property and business, and to pay therefrom all the expenses, charges and advances of the Trustee in carrying on the said business or otherwise, and all taxes, assessments and other charges against the property ranking in priority to the bonds and coupons, or payment of which may be necessary to preserve the property, and to apply the remainder of the moneys so received first in the payment of the coupons due and unpaid in the order of their maturity, with interest, and the balance (if any) shall be held and applied in the same manner as if the same arose from a sale or realization of the mortgaged premises. Provided that the Trustee shall, upon the removal of such default, restore the said property and business to the Company, and pay to it the remainder of the moneys so received after payment of all coupons and interest then due upon the bonds, and in case of any such return of property to the Company, the security hereby constituted shall no longer be deemed to have become enforceable by reason of the default in the payment of the principal of any of the bonds secured hereunder or overdue interest or by any other occurrence hereunder whereby the right of entry became vested in said Trustee.

SALE ON DEFAULT

2. In case the security hereby constituted shall have become enforceable as herein provided and the Company shall have failed to pay to the Trustee on demand, the principal and interest then due upon all the bonds outstanding, the Trustee may in its discretion, either after such entry as aforesaid, or after other entry by its officers or agents, or without any entry, sell and dispose of, and upon like request as set forth in the next preceding section, the said Trustee shall sell and dispose of all the said property and rights hereinbefore expressed to be mortgaged, pledged and charged to the said Trustee hereunder, or comprised in the mortgaged premises, and affected by the provisions of the present security, and which shall then be subject to the lien of these presents, either as a whole or in parcels, at public auction or by private sale, at such price as it may deem best, and at such time and on such terms and conditions as the Trustee shall determine, having first given such notice (beginning not less than thirty days in advance of such sale) of the time and place of such sale as it may think proper, and it shall be lawful for the Trustee to make such sale, either for cash or upon credit,

upon such reasonable conditions as to upset or reserve bid or price, and as to terms of payment, as it may deem proper, and to receive the price or consideration for any such sale in whole or in part in bonds secured hereunder, in such proportion, at such rate and for such amounts as is provided in Section 9 of this Article; also to rescind or vary any contract of sale that may have been entered into, and resell with or under any of the powers conferred herein, and to adjourn any such sale from time to time and deliver to the purchaser or purchasers of the said property, or any part thereof, good and sufficient deed or deeds for the same, the Trustee being hereby constituted the irrevocable attorney of the Company for the purpose of making such sale and executing such deeds, and any such sale made as aforesaid shall be a perpetual bar both in law and equity against the Company and its assigns, and all other persons claiming the said property or any part or parcel thereof, by from through or under the Company or its assigns, and the proceeds of any such sale shall be distributed in the manner hereinafter provided.

The Trustee, or any one or more of the Bondholders, may become purchasers at any sale of the mortgaged premises, whether made under the power of sale herein contained or pursuant to foreclosure or other judicial proceedings.

COMPANY AGREES TO SURRENDER

3. The Company binds and obliges itself to yield up possession of the property of the Company and the conduct of its business to the said Trustee on demand whenever the said Trustee shall have a right of entry under the foregoing provisions of this Article V and agrees to put no obstacle in the way of, but to facilitate by all legal means, the actions of the Trustee hereunder and not to interfere with the carrying out of the powers hereby granted to it, and in the event of the security becoming enforceable, as hereinbefore provided, the Company shall and hereby does consent to the appointment in such case of a receiver or receiver and manager, with all such powers as the Trustee is hereby vested with, if so required by the Trustee. The Company hereby binds itself in the said event to consent to any petition or application presented to the Court by the Trustee in order to effectuate the intent of this deed, and the Company shall not, after receiving due notice from the said Trustee that it has taken possession of the said business in virtue of these presents, continue in the said business, unless with the express written consent and authority of the said Trustee, and shall forthwith by and through its officers and directors, execute such documents and transfers as may be necessary to place

the said Trustee in legal possession of the said property and business, and after receipt of such notice, all the powers and functions, rights and privileges of each and every of the directors and officers of the Company shall cease and determine with respect to the property hereby mortgaged and charged, unless specially continued in writing by said Trustee, or unless the property shall have been restored to the Company as hereinbefore in this Article V provided.

DISTRIBUTION OF PROCEEDS OF SALE

4. Except as hereinafter provided the moneys arising from any sale or realization of the whole or any part of the mortgaged premises, whether under any sale by the Trustee or by judicial process or otherwise, shall be applied in the first place to pay or reimburse to the Trustee the costs, charges, expenses, advances and compensation of the Trustee in or about the execution of its trust or otherwise in relations to these presents with interest thereon as herein provided, and the residue of the said moneys shall be applied:

(1) In or towards payment to the holders of the bonds pari passu in proportion to the amount due to them respectively and without preference or priority whatever of the due and unpaid interest coupons of the bonds hereby secured in the order of their maturity, with interest thereon after maturity at the rate of 6 per centum per annum.

(2) In or towards payment to the holders of the bonds pari passu in proportion to the amount due to them respectively and without any preference or priority whatsoever, of all principal moneys due on such bonds, whether such principal moneys shall or shall not be payable according to the tenor of said bonds; and

(3) The surplus, if any, of such moneys shall be paid to the Company or its assigns.

TRUSTEE NOT BOUND TO PAY IN CERTAIN CASES

5. The Trustee shall not be bound to apply or make any payment whatsoever with any moneys coming into its hands if the amount so received by it is insufficient to make a distribution of at least two per cent. of the amount of the par value of the outstanding bonds, but it may retain the money so received by it and deposit the same in some bank to its credit at such rate of interest as is then current or invest the

same as hereinafter provided, until the moneys or the investments representing the same, with the income derived therefrom, together with any other money for the time being under its control, shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner above set forth.

NOTICE OF PAYMENT TO BE GIVEN

6. Not less than twenty-one days' notice shall be given by the Trustee, in the manner set forth in Section 16 of Article II, of any payment to be made under this Article to the bondholders.

Such notice shall state the time and place when and where such payment is to be made, and also the liability under the present security upon which it is to be applied.

After the day so fixed, unless payment shall have been duly demanded and have been refused, the bondholders will be entitled only to the interest on the balance (if any) of the principal moneys due to them respectively on the bonds, after deduction of the respective amounts payable in respect thereof on the day so fixed.

RECEIPT BY HOLDER A GOOD DISCHARGE

7. The receipt of the holder, or if registered of the registered owner, of each of the bonds for the principal moneys or interest due thereunder shall be a good discharge to the Trustee and to the Company.

RIGHT OF TRUSTEE TO DEMAND PRODUCTION OF BONDS.

8. The Trustee shall have the right at the time it makes any payment required by this Article to demand of the person claiming such payment the production of the actual bond under which he claims such payment should be made and on the bond being so produced it shall make such payment and shall cause to be endorsed on the bond a memorandum of the amount so paid and the date of payment, but the Trustee may, in its discretion, dispense with the production and endorsement upon a bond as aforesaid, in any special case, upon such indemnity being given as it shall deem sufficient.

USE OF BONDS IN PAYMENT OF SALE.

9. Upon any sale hereunder of the property hereby mortgaged and charged, or any part thereof, any purchaser may in paying purchase money turn in any said bonds or matured coupons hereby secured in place

of cash to the amount which would upon distribution of the net proceeds of such sale be payable thereon, and in case the amount so payable thereon shall be less than the amount due thereon, such bonds shall be returned after being properly stamped to show such partial payment.

APPOINTMENT OF RECEIVER

10. If the security hereby created shall become enforceable the Trustee may in its discretion and upon the request in writing of the holders of one-tenth of the total amount in value of the Bonds then outstanding, shall by writing appoint a receiver or receiver and manager of the mortgaged premises or any part thereof, and may remove any receiver or receiver and manager so appointed and appoint another in his stead, and the following provisions shall take effect;

(a) Such appointment may be made at any time after this security shall have become enforceable and either before or after the Trustee shall have entered into or taken possession of the mortgaged premises or any part thereof.

(b) Every such receiver or receiver and manager may be vested with all or any of the powers and discretions of the Trustee.

(c) Every such receiver or receiver and manager may carry on the business of the Company or any part thereof and may exercise all the powers conferred upon the Trustee by Section 1 of this Article.

(d) The Trustee may from time to time fix the remuneration of every such receiver or receiver and manager and direct the payment thereof out of the mortgaged premises or the proceeds thereof; but the appointment of any such receiver shall be revoked upon the request of a majority of the Bondholders.

(e) The Trustee may from time to time require any such receiver or receiver and manager to give security for the performance of his duties and may fix the nature and amount thereof, but it shall not be bound to require such security.

(f) Every such receiver or receiver and manager may, with the consent in writing of the Trustee, and a majority in interest of the Bondholders, borrow money for the purposes of carrying on the business of the Company or for the maintenance of the mortgaged premises or any parts thereof or for any other purposes approved by the

Trustee and the majority in interest of the Bondholders, and the receiver or receiver and manager may issue certificates (herein called "Receiver's Certificates") for such sums as will in the opinion of the Trustee be sufficient for retaining upon the security of the mortgaged premises the amounts from time to time required, and such certificates may be payable either to order or to bearer and may be payable at such time or times as to the Trustee may appear expedient, and shall bear interest as shall therein be declared, and the Trustee may sell, pledge or otherwise dispose of the same in such manner as to it may seem advisable, and may pay such commission on the sale thereof as to it may appear reasonable, and the amounts from time to time payable by virtue of such receiver's certificates shall form a first charge upon the mortgaged premises in priority to the Bonds; provided always that in the exercise of the powers and duties conferred upon the Trustee by this section the Trustee shall be bound to observe and act in accordance with the directions and instructions of the majority of the Bondholders if and whenever any such directions or instructions shall be given.

(g) Every receiver or receiver and manager shall so far as concerns responsibility for his acts be deemed the agent of the Company.

**ASK REQUISITION OF BONDHOLDERS AND REQUIRE
DEPOSIT BEFORE PROCEEDING.**

11. The Trustee shall have the right in its discretion to proceed in its name as Trustee hereunder in the enforcement of the security hereby constituted by any remedy provided by law, whether by legal proceedings or otherwise, but it shall not be bound to do or to take any act or action in virtue of the powers conferred on it by these presents unless and until it shall have been required so to do by a resolution of the bondholders or by a writing signed by holders of bonds forming at least one-fourth in value of the then outstanding bonds, defining the action which it is required to take, and the Trustee may, before taking such action, require the bondholders (at whose instance it is required) to deposit with the Trustee the bonds so held by them, for which bonds the Trustee shall issue receipts. The obligation of the Trustee to commence or continue any act, action or proceedings for the purpose of realizing upon the mortgaged premises shall be conditional upon the bondholders furnishing, when required in writing by the Trustee, sufficient funds to commence or continue such act, action or proceedings, and indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage by reason thereof.

THE TRUSTEE INCURS NO FINANCIAL RESPONSIBILITY

12. The Trustee shall not, nor shall any receiver or receiver and manager appointed by it, be responsible or liable, otherwise than as a Trustee, for any debts contracted by it or for damages to persons or property, or for salaries or non-fulfilment of contracts during any period wherein the Trustee or receiver or receiver and manager shall manage the mortgaged premises upon or after entry, as herein provided, nor shall the Trustee or the receiver or the receiver and manager be liable to account as mortgagee or mortgagees in possession or for anything except actual receipts, or be liable for any loss on realization or for any default or omission for which a mortgagee in possession might be liable, and the Trustee shall not be bound to do, observe, perform, or to see to the observance or performance by the Company, of any of the obligations herein imposed upon the Company, nor in any other way to supervise or interfere with the conduct of the Company's business, unless and until the security hereby created has become enforceable, and the Trustee shall have been required by the bondholders to enforce the same, and shall have been kept supplied with moneys reasonably necessary to provide for the expenses of the required action and with satisfactory indemnity as aforesaid.

FOR PROTECTION OF PERSONS DEALING WITH TRUSTEE.

13. No person dealing with the Trustee or its agents or with any receiver or receiver and manager appointed hereunder shall be concerned to enquire whether the security hereby constituted has become enforceable, or whether the powers which the Trustee or such receiver or receiver and manager is purporting to exercise have become exercisable, or whether any money remains due upon the security of these presents or the bonds, or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or of any dealing by the Trustee or such receiver or receiver and manager with the mortgaged premises, or to see to the application of any money paid to the Trustee or such receiver or receiver and manager; and, in the absence of fraud on the part of such person, such dealing shall be deemed, so far as regards the safety and protection of such person, to be within the powers hereby conferred and to be valid and effectual accordingly.

REMEDIES CUMULATIVE.

14. No remedy herein conferred upon or reserved to the Trustee or upon or to the holders of bonds hereby secured is intended to be exclusive

of any other remedy, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

ARTICLE VI.

COVENANTS OF THE COMPANY.

The Company hereby covenants and agrees that:—

TITLE TO MORTGAGED PREMISES.

1. It lawfully owns and is lawfully possessed of the real and immoveable properties, buildings, machinery and plant described in the schedules hereto, and the Company will warrant and defend the title thereof and every part thereof, as well as of any and all real and immoveable properties, buildings, machinery and plant hereafter acquired whether or not the Company shall have obtained the certification and delivery of bonds under this indenture, to the Trustee, its successors in the trust and their assigns, and for the benefit of the holders for the time being of the bonds issued hereunder, against the lawful claims and demands of all persons whomsoever. The Company lawfully owns and is lawfully possessed of the shares of stock specified in the schedules hereto and has full corporate power to exercise, and is lawfully entitled to exercise all rights of ownership thereof and of every thereof.

MAINTAIN SECURITY.

2. It will fully and effectually maintain and keep maintained the security hereby created as a valid and effective security at all times so long as any of the said Bonds are outstanding, and it will not permit or suffer the acquisition or registration of any builder's, contractor's or workman's lien or privilege upon or in respect of any of the property mortgaged hereby, or any other lien or charge which would rank before the mortgage hereby created; Provided that the registration of any such lien, privilege or charge shall not be deemed to be a breach of this covenant if the Company shall desire to contest the same and shall give security to the satisfaction of the Trustee for the due payment of the amount claimed in respect thereof in case it shall be held to be a valid lien, privilege or charge.

MAINTAIN AND OPERATE MORTGAGED PREMISES.

3. It will diligently maintain, use and operate or will cause to be maintained, used and operated the mortgaged premises and will carry on and

conduct its business and the business of any company the greater part of whose capital stock, is specifically mortgaged and pledged hereunder, in a proper and efficient manner so as to preserve and protect the mortgaged premises and the earnings, incomes, rents, issues and profits thereof, and will keep proper books of account and make therein true and faithful entries of all its dealings and transactions in relation to its business and at all reasonable times furnish the Trustee or its duly authorized agent or attorney such information relating to its business as the Trustee may reasonably require and such books of account shall at all reasonable times be open for inspection by the Trustee or such agent or attorney as the Trustee shall from time to time by instrument in writing for that purpose appoint.

MAINTAIN CORPORATE EXISTENCE

4. It will at all times maintain its corporate existence and duly procure all renewals and extensions thereof, and, subject to all the provisions herein contained, will diligently preserve all the rights, powers, privileges, franchises and goodwill by it owned.

KEEP BUILDINGS AND PLANT IN REPAIR

5. It and each of the companies the greater part of whose capital stock is specifically mortgaged and pledged hereunder will not, without the previous consent in writing of the Trustee, remove or destroy any of their respective buildings, machinery or any structure whatsoever or the plant, machinery or fixtures attached or appertaining thereto unless the same be worn out or rendered unfit for use or unless such removal or destruction be with a view immediately to replace the same by other property of a more useful or convenient character and of at least equal value, and the Trustee may, if it think proper, previous to giving its consent to such removal or destruction, accept as satisfactory proof as to the advisability thereof a resolution of the Directors that such removal or destruction is, in their opinion, to the advantage of the mortgaged premises, or such other proof as may in its opinion be sufficient. It and each of such companies will at all times repair and keep in repair and good order and condition all their respective buildings, erections, machinery and plant and used in or in connection with their respective businesses, up to a modern standard of usage and whenever necessary renew and replace all and any of the same which may become worn, dilapidated, unserviceable, inconvenient or destroyed, even by a fortuitous event, fire or other cause, and

at all reasonable times allow the Trustee or its representatives access to the mortgaged premises in order to view the state and condition the same are in.

KEEP BUILDINGS AND PLANT INSURED.

6. It and each of the companies the greater part of whose capital stock is specifically mortgaged and pledged hereunder will at all times keep their respective buildings, structures, machinery, fixtures and appurtenances which are of an insurable nature and of a character usually insured by companies similarly situated, insured against loss or damage by fire to such an amount and in such manner as is usual in the case of companies working undertakings similar to the undertakings for the time being of the Company, in one or more insurance offices to be approved by the Trustee (such approval not to be unreasonably withheld) and duly pay all premiums and other sums payable for that purpose, and produce to the Trustee when and if required every such policy of insurance and the receipt for the last premium payable thereunder. The insurance moneys in respect of properties specifically mortgaged hereunder shall be made payable to the Trustee as its interest may appear, but if the total loss caused by any one fire does not exceed the sum of Five thousand dollars (\$5,000) the Trustee may pay the amount received from the insurance companies to the Company. The proceeds of any insurance on any part of the property specifically mortgaged hereunder in excess of Five thousand dollars (\$5,000) as hereinabove provided which may be received by the Trustee, shall be applied as provided in Article X hereof. The Trustee may accept as conclusive evidence of the amount of the insurance to be carried and of the advisability of applying the proceeds of insurance to the purposes hereinabove set forth, a resolution of the Board of Directors of the Company together with a certificate signed and verified by its President or Vice-President and its local manager or other officer in immediate charge of the property.

The Company shall, however, be at liberty to carry the insurance upon the specifically mortgaged premises hereinabove provided for under a blanket policy or policies covering stock-in-trade or other moveable property, as well as the specifically mortgaged premises, subject, however, to the following terms and conditions:—

1. The Company shall lodge with the Trustee and the Trustee shall be entitled to accept as establishing the facts therein stated certified copies of resolutions of its Board of Directors determining the amount of insur-

ance proposed by the Company to be carried under such blanket policy or policies:

(a) Upon the specifically mortgaged premises such insurance, however, not to be less than the amount hereinabove provided for.

(b) Upon the stock-in-trade or other moveable property of the Company.

And approving the selection of the Companies or Associations in which such insurance is placed, and when and so often as changes occur in either or both of such amounts established as aforesaid such changes shall be established from time to time by further such resolutions, certified copies of which shall be lodged with the Trustee, and such blanket policy or policies shall be for a total amount, at least equivalent to the sum of the amounts proposed to be carried upon the specifically mortgaged premises and upon stock-in-trade or other moveable property of the Company as the same are established from time to time by resolutions as aforesaid.

2. That the Company shall assign the insurance money under the said blanket policy or policies or otherwise make the same payable to the Trustee as an additional security for the Bonds, and the same shall be controlled by the Trustee and dealt with by it as follows:—

In the event of loss, the Trustee shall receive the total insurance moneys payable under such policy or policies, and thereout shall retain the amount representing the actual damage to the specifically mortgaged premises, to be dealt with by it as hereinabove provided, and shall pay over the balance, if any, of the insurance moneys so received by it to the Company or to its order.

The Trustee shall be at liberty to accept one or more certificates signed by a duly authorized officer or officers of the insurer or insurers and by the President or Vice-President or two Directors and the Secretary or Assistant Secretary of the Company, stating that a certain sum of money has been settled as representing the actual damage to the specifically mortgaged premises as evidence that such sum correctly represents the amount of such actual damage, but the Trustee shall be entitled to reject such certificate or certificates and to appoint an appraiser to act jointly with an appraiser who shall be appointed by the Company to estimate and report the amount of such actual loss. If such appraisers agree their report shall bind the Trustee and the Company, but if they fail to agree as to the amount of such actual damage they shall report such failure to agree and shall appoint a third person to act as umpire. In the event of their

failing to agree upon the appointment of such an umpire within ten days after having reported their failure to reach an agreement or in the event of such umpire failing to act within ten days after his appointment as the case may be, an umpire may be appointed by a Judge of the Supreme Court of British Columbia upon the application of the Trustee or the Company on two clear days' notice to the other party of such application, and the award of such umpire shall be binding upon both parties. All costs and expenses shall be borne by the Company.

In the event of an adjustment being necessary to settle the amount payable upon such blanket policy or policies in respect of any loss thereunder, the Trustee shall have the right to require that the person appointed by the Company to adjust such loss on its behalf shall be satisfactory to the Trustee.

PAY PRINCIPAL AND INTEREST

7. It will well, truly and punctually pay or cause to be paid to every holder of any of the Bonds the principal and interest accrued thereon, at the dates and place and in the manner mentioned in such bond and the coupons thereto belonging, and will observe and perform all the conditions contained herein and in said Bond and endorsed thereon. The bonds and coupons when paid shall be cancelled and delivered to the Company, and no purchase of any coupons nor any advance or loan thereon by or on behalf of the Company shall keep coupons alive or preserve their lien upon any part of the mortgaged premises.

PAY TRUSTEE'S FEES, EXPENSES AND DISBURSEMENTS

8. It will pay the Trustee reasonable remuneration for its services as Trustee hereunder and will repay to the Trustee on demand out of the general assets all moneys which shall have been paid by the Trustee for premiums of insurance, repairs, renewals, taxes, legal expenses or charges, or any other expenditures whatever which the Trustee may reasonably incur in and about the execution of the trust hereby created, with interest at six per centum per annum from the date of expenditure until actual repayment, and such moneys and the interest thereon, including the Trustee's remuneration, shall upon default by the Company hereunder become a first charge or lien upon the mortgaged premises in priority to any of the said bonds or coupons and shall be payable out of any funds coming into the possession of the Trustee or its successors in the trust hereunder. The said remuneration shall continue payable until the trusts

hereof shall be finally wound up and whether or not a receiver or receivers or receiver and manager shall have been appointed or the trusts of these presents shall be in course of administration by or under the direction of the Court.

PAY RENT OF LEASED PREMISES

9. It will from time to time punctually observe and perform all of its obligations, and will pay and discharge all amounts payable, under or by virtue of any lease of property held by it at any time subject to the lien of this indenture, and will not suffer or permit any default for which any such lease might be terminated, so that the interest of the Company in such leasehold estates may at all times be preserved unimpaired as security for the bonds hereby secured; provided, however, that nothing contained in this section shall require the Company to make any such payments or to observe any such obligations, so long as it shall in good faith contest its liability therefor.

In case and whenever default shall be made in paying any sum stipulated to be paid in any lease subject to the lien of this indenture, the Trustee, without affecting any of its rights thereunder, from time to time in its discretion may pay any sum so in default, and thereupon shall have and forthwith may assert a lien for such advances upon the mortgaged premises and the proceeds thereof, which lien shall be entitled to priority in rank and to priority in payment from the mortgaged premises over the bonds issued hereunder.

PAY TAXES AND ASSESSMENTS

10. It will pay or cause to be paid all taxes, rates, levies or assessments, ordinary or extraordinary, all fees or dues levied, assessed or imposed by or under any Act of the Parliament of Canada, or by or under any Act of any Legislature of any Province thereof, upon or which may become due by virtue of the mortgaged premises or any part thereof, when the same shall become due, and will exhibit to the Trustee when required the receipts and vouchers establishing such payments and will duly observe and conform to all valid requirements of any governmental authority relative to any of the property or rights at any time covered hereby, and all covenants, terms and conditions upon or under which any property, or rights covered hereby are held.

PAY AND DISCHARGE UNDERLYING BONDS

11. It will, exclusively for the benefit of holders of bonds hereby secured, well and truly pay and discharge upon presentation thereof for

payment at or after maturity, or will acquire and will from time to time as herein provided deposit with the Trustee hereunder, all the outstanding underlying bonds for the refunding of which provision is made under Sub-section (a) of Section 2 . Article II. hereof, and the Company will punctually pay or cause to be paid, or upon demand of the Trustee will provide to its satisfaction for the payment of, the interest on all such outstanding underlying bonds not deposited hereunder, as and when such interest shall become due and payable, until all such outstanding underlying bonds and obligations shall have been deposited with the Trustee; and it will not extend or renew any of such outstanding underlying bonds or obligations, and will not cause or suffer the same to be extended or renewed.

RESTRICTIONS ON COMPANIES WHOSE SHARES ARE PLEDGED HEREUNDER

12. Except as herein otherwise expressly provided:

(a) It will, subject to the lien hereof, hold all and singular the stock of the Colonial Lumber and Paper Mills, Limited, and/or of the Empire Pulp & Paper Mills, Limited have been specifically mortgaged and pledged hereunder and which shall have been transferred or assured to the Trustee or which the Trustee shall be entitled to have transferred or assured to it hereunder, and will exercise its voting power thereon, in such manner that it shall retain in itself the rights and powers of the holder of the shares of the capital stock of said companies, and will at all times exercise all lawful powers which as shareholder or otherwise it may possess and take all such action as from time to time may be necessary under the laws now in force or hereafter enacted by the Dominion or Province in which each such Company is organized to preserve its corporate existence and corporate rights and franchises and shall do no act by which either of said companies may incur forfeiture of its corporate existence, unless and until it shall have acquired and subjected to the lien of this indenture all the property of such company.

(b) It will not, so long as any of the Bonds secured hereunder are outstanding, permit the said Colonial Lumber and Paper Mills, Limited, and/or the said Empire Pulp & Paper Mills, Limited, to borrow money or incur any indebtedness except current trade accounts, and loans for the purpose of carrying on its business, and moneys so borrowed may be secured by pledge or charge on its personal or moveable property; and it will not sanction or permit the increase of the capital stock or the creation and issue of any bonds or debentures by either of said companies or the creation of any mort-

gage, charge or other lien upon or the sale or lease of the undertaking, franchises, concessions, licenses, leases and real and immoveable property of either of said companies, unless effective provision be made that any bonds or debentures issued by either of said companies and any mortgage or other lien upon such property of either of said companies and all such additional stock (or such part of such additional stock as is proportionate to the part of such capital stock previously pledged or assigned hereunder) shall immediately, upon the issue or creation thereof, be pledged with or assigned to the Trustee to be held by the Trustee subject to all the trusts of this Indenture, with the same effect as if all such bonds, debentures, mortgages or other liens or shares of stock as the case may be had been delivered and pledged or assigned to it hereunder at the time of the execution hereof, and all such additional stock shall be fully paid and non-assessable; and the Company expressly covenants that neither of said companies shall increase its capital stock, incur any indebtedness or create and issue any bonds or debentures or any mortgage or lien upon its undertaking, franchises, concessions, licenses, leases and real and immoveable property, or to sell or lease the same, except subject to the conditions in this Section 12 prescribed, but notwithstanding anything herein contained either of said companies may borrow money from or incur indebtedness to the Company and mortgage or charge any and all of its undertaking, property and assets, real or personal, as security for the due payment thereof.

FURNISH STATEMENTS TO ROYAL SECURITIES CORPORATION,
LIMITED.

18. The Company further covenants and agrees that so long as any of the bonds are outstanding and unpaid, it will furnish to said Royal Securities Corporation, Limited, beginning on the 1st day of June, 1917, and monthly thereafter, a statement signed by the President, or a director or the Secretary of the Company showing the Company's condition and earnings during the month preceding the month of such statement, and that it will furnish to said Corporation at any time, upon demand, an audit of the books, affairs and business of the Company showing the financial condition of the Company for the year preceding such audit, all such audits to be made by an audit company or auditor selected by said Corporation and at the Company's expense, and also, upon demand, any other information regarding the business of the Company or any company of which it holds the greater part of the capital stock which the said Royal Securities Corporation, Limited, may request by letter or telegram.

EFFECT REGISTRATION OF DEEDS.

14. It will register these presents and all other instruments presented to it for that purpose by the Trustee, without delay at any office where the registration or record thereof may in the judgment of the Trustee be of advantage or necessary to the security hereby created, and that it will deliver or exhibit to the Trustee on demand, a certificate establishing such registration, and the same from time to time renew.

FURTHER ASSURANCE

15. It will, whether required by the Trustee or not, grant, convey, assign, transfer, hypothecate, mortgage, pledge and charge in favour of the Trustee the right, title and interest of the Company in or to all real and personal estate which, in any way or manner, it shall hereafter acquire, subject to the lien, if any, of any prior mortgage or mortgages covering the same prior to the acquisition thereof. At any and all times the Company will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all and every such further acts, deeds, conveyances, mortgages and transfers and assurances in the law, as the Trustee shall reasonably require, for the better assuring, conveying, mortgaging, assigning and confirming unto the Trustee, all and singular the hereditaments and premises, estates and property hereby mortgaged, pledged and charged or intended so to be or which the Company hereafter may become bound to mortgage, pledge and charge in favor of the Trustee.

GENERAL COVENANT

16. It will fulfil all the requirements of the laws of the Dominion, Provincial or Municipal Governments of Canada, or of any of their departments or of any other competent authority so far as may be necessary or expedient for the purpose of creating, performing or maintaining the trust herein referred to, as security for the said bonds; and generally will do, observe and perform all the obligations hereby imposed upon it.

NOTICE BY TRUSTEE ON COMPANY'S FAILURE TO OBSERVE COVENANTS.

17. If the Company shall fail to perform any of the covenants contained in this Indenture, the Trustee may notify the bondholders of such failure on the part of the Company or it may itself perform any of said covenants capable of being performed by it or make advances to perform the same in its behalf, but shall be under no obligation so to do; and all

sums so expended or advanced shall be at once repayable by the Company, and shall bear interest at six (6) per centum per annum until paid, and shall be secured hereby, having the benefit of the lien hereby created in priority to the indebtedness evidenced by said Bonds and coupons; but no such performance or advance shall be deemed to relieve the Company from any default hereunder.

ARTICLE VII.

AMALGAMATION AND CONSOLIDATION.

1. Any company, stock of which shall be specifically mortgaged and pledged under this indenture, may be consolidated or amalgamated with, or all of its property conveyed as an entirety to the Company. In the event of the consolidation or amalgamation with the Company of any company, stock of which shall be specifically mortgaged and pledged under this indenture, or the sale of its property to the Company, all the property, including all corporate obligations and stocks belonging to any company so consolidated or amalgamated with the Company, or so conveyed to the Company, shall immediately, upon such consolidation or sale, and as part thereof, become and be subject to the lien and operation of this indenture with the same effect as though conveyed, assigned and transferred to the Trustee at the time of the execution hereof; and the Company or the company formed by such consolidation or amalgamation shall promptly record this indenture as a mortgage, pledge and charge on all the property, real and personal, so becoming subject to this indenture and shall execute and record all such further instruments of assignment, transfer, conveyance, mortgage or pledge as the Trustee may reasonably require for that purpose. If the Company shall otherwise acquire all the property of any such company, and shall desire to use for the purpose of such acquisition and in payment of the purchase price thereof, any of the shares of the capital stock of such company, then and in that event the Trustee shall, upon the request of the Company in writing, pursuant to an affirmative vote of a majority of its board of directors, release from the operation of this indenture the shares of the capital stock of said company whose property shall be so purchased or acquired by the Company. The Company shall furnish to the Trustee the written opinion of counsel approved by the Trustee (who may be of counsel to the Company) of the legality of any action contemplated to be taken and of the validity of any action taken pursuant to this Section.

2. Except as limited in Section 1 of this Article nothing in this indenture shall prevent the consolidation or amalgamation with the Company of any other company, or prevent any consolidation or amalgamation of the Company with any other company, or prevent the sale by the Company of its property as an entirety; provided that any such consolidation or amalgamation shall be on such terms as to preserve and not to impair the lien or security under this indenture, or any of the rights and powers of the Trustee or of the holders of the bonds and that any successor corporation formed by such consolidation, or the corporation with which the Company shall be amalgamated, shall, as a part of such consolidation or amalgamation, expressly assume the due and punctual payment of the principal and interest of all the bonds and the observance and performance of all the covenants and conditions of this indenture; and provided that, as a condition of any such sale of the property of the Company as an entirety, the corporation to which such property shall be sold as an entirety shall, as a part of the purchase price thereof, assume the due and punctual payment of the principal and interest of all the bonds and the observance and performance of all the covenants and conditions of this indenture, and shall, simultaneously with the completion of any such sale and deliver to the Trustee a proper indenture, in form satisfactory to the Trustee, whereby such purchasing corporation shall so assume the due and punctual payment of the principal and interest of all the bonds and the observance and performance of all the covenants and conditions of this indenture.

3. In case any company shall be consolidated or amalgamated with the Company as aforesaid, or in case the Company shall be consolidated or amalgamated with any other corporation, or in case of the sale of the property of the Company as an entirety, the company formed by such consolidation or with which the Company shall have been amalgamated, or to which such sale shall have been made, upon executing and causing to be recorded an indenture with the Trustee whereby such company shall assume the due and punctual payment of all the bonds and the observance and performance of all the covenants and conditions of this indenture, shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part hereto, and such company may thereupon cause to be signed and may issue, either in its own name or in the name of the Company, any or all of the bonds which shall not theretofore have been signed by the Company and delivered to the Trustee and the Trustee, upon the order of such company in lieu of the Company, and subject to all the terms, conditions and restrictions herein prescribed, shall certify any

and all bonds which shall have been previously signed by the officers of the Company and delivered to the Trustee for certification, and any of such bonds which such company shall thereafter cause to be signed and delivered to the Trustee for that purpose. All bonds so issued shall in all respects have the same legal rank and security as the bonds theretofore or thereafter issued in accordance with the terms of this indenture, as though all of said bonds had been actually issued by the Company as of the date of the execution hereof.

ARTICLE VIII.

PARTIALLY RELEASE SECURITY

1. Upon the request of the Company, evidenced by a resolution of its board of directors, a copy of which, certified under the corporate seal of the Company, shall be lodged with the Trustee, the Trustee, from time to time, but subject to the conditions and limitations in this Article prescribed, and not otherwise, shall release from the lien and operation of this indenture any part of the specifically mortgaged premises except stock, shares, bonds, debentures or other securities specifically mortgaged and pledged hereunder, provided that no part of the specifically mortgaged premises shall be released unless the use thereof no longer shall be necessary or advantageous in the business of the Company. No such release shall be made unless the Company shall, for a fair and adequate consideration, have sold, or shall have contracted to sell, the property so to be released, or shall have exchanged, or have contracted to exchange, the property so to be released for other property, and any such release shall be subject to the following conditions:

(a) Before any such property shall be released, such property shall if the Trustee so require be appraised by some appraiser selected or approved by the Trustee subject to Section 3 of this Article.

(b) In case of any sale of such property, the purchase price or the appraised value thereof, whichever shall be greater, shall be paid to the Trustee.

(c) In case of an exchange, other property appraised by some appraiser selected or approved by the Trustee, to be of the value at least equal to the appraised value of the property given in exchange, shall be made subject to this indenture as a first lien of which the certificate of counsel (who may be of counsel to the Company) shall be sufficient evidence to the Trustee; or, if the appraised value of the property so received in exchange

shall be less than the appraised value of the property so given in exchange, the difference shall be paid to the Trustee in money.

Any new property acquired by the Company to take the place of any property released hereunder, ipso facto shall become and be subject to this indenture, as fully as if mortgaged and charged hereby, and the Company will convey and assign the same to the Trustee by appropriate deeds or other instruments upon the trusts and for the purposes of this indenture, and will cause the same to be recorded or filed in such manner as appropriately to secure and continue the lien of this indenture thereon.

The Company, from time to time, also shall have full power in its discretion to dispose of any portion of the plants (including, in that term, equipment and machinery), at the time constituting part of the specifically mortgaged premises, which may have become unserviceable (provided that the integrity of the Company's plants as modern producing plants shall not be affected by any such disposition), replacing the same by new plant, of equal value, which shall become subject to this indenture. In no event shall any purchaser or purchasers of any property sold or disposed of under any provision of this Article be required to see to the application of the purchase money.

2. If the Company shall not be satisfied with any such appraisal, the Company may notify the Trustee that it desires a reappraisal, designating in its request an appraiser to act for it with the appraiser selected or approved by the Trustee, and such appraisers shall jointly appraise the property forming the subject of such appraisal.

In case they shall not agree, they shall appoint a third appraiser, and the three appraisers shall value such property and state their determination in writing, and lodge an original counterpart of such appraisal with the Trustee, and such decision and award in writing of the majority of the appraisers when made, signed and so lodged, shall in every case be final and conclusive and obligatory upon the parties.

The expenses of any appraisal made under any of the provisions of this Article shall be borne by the Company.

3. Notwithstanding anything hereinbefore contained, the Trustee shall be at liberty to accept in lieu of having an appraisal made as hereinbefore provided, the certificate of a majority of the Directors then in office, including the President or Vice-President, as to the value of any

property to be released or of any property to be acquired in exchange therefor.

ARTICLE IX

SPECIAL RELEASES

1. Upon the request of the Company, evidenced by a resolution of its Board of Directors, a copy of which, certified under the corporate seal of the Company, shall be lodged with the Trustee, the Trustee from time to time, subject to the conditions and limitations in this Article prescribed, and not otherwise, shall release from the lien and operation of this Indenture the lands, timberlands, quarry lands, water rights, buildings, machinery and plant forming or connected with a complete mill or manufacturing plant and the undertaking thereof, and being part of the specifically mortgaged premises, and/or all of the shares in either one or both of the respective capital stocks of the Colonial Lumber and Paper Mills Limited and Empire Pulp & Paper Mills Limited, being part of the specifically mortgaged premises. No such releases shall be made unless the Company shall for a fair and adequate consideration have sold or shall have contracted to sell the properties so to be released, and any such release shall be subject to the following conditions:—

(a) Before any such property shall be released, such property shall be appraised by some Appraiser selected or approved by the Trustee.

(b) The purchase price or the appraised value thereof, whichever shall be the greater, shall be paid to the Trustee.

(c) If the Company shall not be satisfied with any such Appraisal, the Company may notify the Trustee that it desires a re-appraisement, designating in its request the Appraiser to act for it with the Appraiser selected or approved by the Trustee, and such Appraisers shall jointly appraise the property forming the subject of such appraisal.

(d) In case they shall not agree, they shall appoint a third Appraiser, and the three Appraisers shall value such property and state their determination in writing, and lodge an original counterpart of such appraisal with the Trustee, and such decision and award in writing of the majority of the Appraisers when made, signed and so lodged, shall in every case be final and conclusive and obligatory upon the parties.

(e) The expenses of any appraisal made under any of the provisions of this Article shall be borne by the Company.

2. Any bonds held by the Trustee as part of the specifically mortgaged premises shall be released to the Company upon payment to the Trustee of their par value and accrued interest.

ARTICLE X.

APPLICATION OF MONEY FROM INSURANCE AND RELEASES

1. All moneys received by the Trustee from insurance or upon releases of the specifically mortgaged premises shall be held by it as security for the bonds secured hereby, subject to the right of the Company upon its written requisition authorized by a resolution of the Directors to receive from the Trustee and to apply any such moneys or the income thereof held by the Trustee in the purchase of real estate, which shall forthwith be made subject to the lien hereof in like manner as if originally specifically mortgaged hereby or in repairing, building or constructing, rebuilding, reconstructing or purchasing or placing upon the specifically mortgaged premises any buildings, machinery, fixtures or other improvements, but before making any demand upon the Trustee for the payment of any such moneys, the Company shall furnish the Trustee with certificates of the expenditures made by it for any of the purposes aforesaid, signed by the President or Vice-President and by the Secretary or Assistant Secretary of the Company, under its corporate seal, and such certificates shall be full warrant of authority and protection to the Trustee for action on the faith thereof, and shall further satisfy the Trustee that no mortgages, liens or encumbrances have been registered against the specifically mortgaged premises which by operation of law or otherwise will rank in priority to the mortgage and charge hereunder, and no such application of such moneys shall be made by the Trustee at any time when the Company is in default hereunder, or when the Trustee is in possession of the mortgaged premises, under the right of entry hereinafter provided, without the concurrence of the holders of a majority in value of the bonds outstanding. In no case shall the receipt of any moneys for insurance or release of the mortgaged premises be deemed to be a payment on account of the bonds secured hereunder, nor shall the mortgage hereby created be lessened, novated or in any other way affected by reason of any such receipt, any law, usage or custom to the contrary notwithstanding.

Any such money not so applied or which the Company shall notify the Trustee is not to be so applied may in the discretion of the Company be used for the same purposes for which bonds may be issued under Section 1 of Article II. hereof and/or for the redemption of bonds at the same price and selected by lot in the same manner as is provided in Article XII hereof upon giving the notice therein specified.

ARTICLE XI.

APPLICATION OF MONEYS RECEIVED FOR RELEASES UNDER ARTICLE IX:

1. All moneys received by the Trustee in respect of the release of any property under the provisions of Article IX hereof, and all moneys received by the Trustee in respect of capital repayments on bonds of the Colonial Lumber and Paper Mills, and/or Empire Pulp & Paper Mills, Limited, shall be used in the redemption of bonds at the same price and selected by lot in the same manner as is provided in Article XII hereof, upon giving the notice therein specified, or may at the request of the Company be released by the Trustee to the Company from time to time to provide for permanent improvements, extensions and/or additions (except expenditures for pulp or timber lands, licenses or leases, or for the purchase of water records, licenses or franchises) to or about any of the property or plant now or hereafter owned by the Company or Colonial Lumber and Paper Mills, Limited, at Quatsino Sound, not being included in and covered by the expenditure of \$1,650,000 referred to in Section 2 (b) of Article II hereof. Such moneys shall be so released only so far as such improvements, extensions and/or additions have actually been constructed, erected or acquired and paid for, but no such moneys shall be released in respect of any such improvements, extensions and/or additions which have been the subject of any issue of additional bonds or debenture stock.

PROVIDED HOWEVER, that moneys received by the Trustee in respect of capital repayments on bonds of said Empire Pulp & Paper Mills, Limited, may be applied to the payment of bonds next serially maturing hereunder but no moneys exceeding 7% of the par value of the bonds of said Empire Pulp & Paper Mills, Limited, at such time outstanding shall be so applied in any one year ending first May.

ARTICLE XII

REDEMPTION OF BONDS

1. The Company, shall have the right, at any time, to purchase any of the Bonds secured hereunder either upon the open market or by private sale, at any price not exceeding One hundred and two and a half per cent. and accrued interest, and also, at its option, may from time to time upon any interest payment date redeem all or any of the bonds issued hereunder, at the price of one hundred and two and a half per centum of the principal thereof, and accrued interest provided that in case of redemption of a part

only of said bonds, the particular bonds to be redeemed shall be selected by the Trustee by lot; and provided also that notice of intention to redeem (including, in case a part only of the bonds are to be redeemed, the numbers of such bonds) shall be given, by or on behalf of the Company, by publication at least once a week for four successive weeks immediately preceding the date fixed for redemption in the newspapers mentioned in Section 16 of Article II. of this indenture.

2. Before the redemption day specified in such notice, the Company shall deposit with the Trustee a sum of money sufficient to redeem the bonds so designated for redemption, to be held for account of the holders thereof, and to be paid to them respectively upon presentation and surrender of said bonds; and after such redemption day such bonds shall cease to bear interest, and such bonds shall cease to be entitled to the lien of this Indenture, and the coupons for interest maturing subsequent to that day shall be void.

3. All bonds purchased and delivered by the Company to the Trustee or redeemed by the Trustee or by the Company under any provision of this Indenture shall forthwith be cancelled, and the Trustee shall thereupon deliver the bonds so cancelled to the Company.

4. On the date fixed for any redemption of Bonds under any provision of this Indenture, the principal of the Bonds in respect whereof notice of redemption has been given shall become due and payable with the premium herein provided and interest to the date of redemption, and the holders of the Bonds so to be redeemed shall be entitled to the amount due thereon on production and surrender of their respective certificates on or after the date and at the place or places specified in such notice.

5. In the event of the voluntary liquidation of the Company, the bonds shall be redeemed and paid by the Company at One hundred and two and a half per centum (102½%) of the principal and accrued interest.

ARTICLE XIII CONFIRMATORY DEED

In case of any sale hereunder, whether by the Trustee or under judicial proceedings, the Company agrees that it will execute to the purchaser or purchasers on demand any instrument reasonably necessary to confirm to the purchaser or purchasers the title of the property so sold, and in case of any such sale, the Trustee is hereby irrevocably authorized to execute on behalf of the Company and in its name any such confirmatory instrument.

ARTICLE XIV.

NO SUIT BY BONDHOLDERS

No holder of any bond or coupon hereby secured except the holder of any bond which was serially matured and is sixty days overdue shall have any right to institute any suit, action or proceeding for the purpose of bringing the property hereby charged, mortgaged and pledged to sale, or for the execution of any trust or power hereunder, or for the appointment of a liquidator, receiver or sequestrator, or to have the Company wound up, or for any other remedy hereunder, unless such holder shall, previously, have given to the Trustee written notice of any existing default on the part of the Company and of the continuance thereof for one month; nor unless the holders of at least twenty-five per centum in amount of the bonds hereby secured and then outstanding shall have made written request to the Trustee and shall have afforded to it reasonable opportunities either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its own name for such purpose; nor unless also such bondholder or bondholders shall have afforded to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; nor unless also the Trustee shall have failed to act within a reasonable time after such notification, request and offer of indemnity; and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustee, to be conditions precedent to any action or cause of action for the appointment of a liquidator, receiver or sequestrator, or for any other remedy hereunder by or on behalf of the holder or holders of such bonds or coupons or any of them; it being understood and intended that no one or more holders of bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereby created by his or their action, or to enforce any right hereunder except in the manner herein provided, and that all powers and trusts hereunder shall be exercised and all proceedings at law shall be instituted, had and maintained by the Trustee, except only as herein provided, and for the equal benefit of all holders of such outstanding bonds and coupons.

All rights of action under this indenture may be enforced by the Trustee without the possession of any of the bonds or coupons hereby secured or the production thereof on the trial or other proceedings relative thereto.

The Trustee shall have power to institute and to maintain such suits and proceedings as it may be advised shall be necessary or expedient

to prevent any impairment of the security hereunder by any acts of the Company, or of others, in violation of this indenture or unlawful or as the Trustee may be advised shall be necessary or expedient to preserve and to protect its interests and the security and interests of the holders of the indebtedness hereby secured, in respect of the property subject to this indenture, or in respect of the income, earnings, rents, issues and profits thereof, including power to institute and to maintain suits or proceedings to restrain the enforcement of, or compliance with, or the observance of any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, or observance of, such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the holders of the indebtedness hereby secured or of the Trustee.

In case any action, suit or other proceeding shall have been brought by any bondholder after failure of the Trustee to act, the bondholders may by extraordinary resolution passed in the manner in which a resolution purporting to exercise the powers conferred by Section 11 of Article XVIII is required to be passed, direct the bondholder bringing any such action, suit or proceeding and the Trustee to waive the default in respect of which any such action, suit or other proceeding shall have been brought, upon payment of the costs, charges and expenses incurred by them in connection therewith and to stay or discontinue, or otherwise deal with any such action, suit or other proceeding and such direction shall be binding upon such bondholder and the Trustee and shall be observed by them.

ARTICLE XV.

IMMUNITY OF OFFICERS, SHAREHOLDERS AND DIRECTORS

No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any bond or coupon hereby secured, or under any judgment obtained against the Company, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independently of this Indenture, shall be had against and shareholder, officer or director of the Company, or of any successor corporation, either directly or through the Company, or otherwise, for the payment for or to the Company or any receiver, liquidator or sequestrator thereof, or for or to the holder of any bond or coupon issued or secured hereunder or otherwise, of any sum that may be due and unpaid by the Company upon any such bond or coupon, and any and all personal liability

of every name and nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such shareholder, officer or director to respond by reason of the non-payment of any shares of the capital stock of the Company or any act of omission or commission on his part or otherwise, for the payment for or to the Company or any receiver, liquidator or sequestrator thereof, or for or to the holder of any bond or coupon issued or secured hereunder or otherwise, of any sum that may remain due and unpaid upon the bonds and coupons hereby secured or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issue of such bonds and coupons.

ARTICLE XVI.

POWERS AND DUTIES OF TRUSTEE MAY EMPLOY AGENTS

(a) The Trustee may, for the execution of the duties, and in execution of the powers conferred upon it, appoint or employ as its agents or representatives or otherwise, any solicitors, advocates, notaries, bankers, brokers, accountants, clerks or inspectors or other agents, and all reasonable expenses and disbursements incurred by the Trustee in connection with the execution of its trust hereunder shall forthwith be paid by the Company with interest as provided in Clause 8 of Article VI. hereof.

NOT BOUND TO GIVE SECURITY

(b) The Trustee shall not be required to give security for its conduct or administration, and shall not be responsible for the acts, omissions, defaults, errors, fraud, failure or misconduct of any agents whom it may reasonably employ in the exercise of the powers conferred upon it by the preceding clause, nor for any loss occasioned by its own acts, omissions or defaults, unless such acts, omissions or defaults constitute a breach of trust knowingly and intentionally committed by said Trustee.

ARTICLE XVII.

APPOINTMENT OF NEW TRUSTEE

The Trustee, or any trustee hereafter appointed, may resign and may be discharged of the trusts created by this indenture, by giving notice, specifying the date when such resignation shall take effect, to the Company and to the bondholders, by publication, at least twice a week for four successive weeks, in one newspaper published in the City of Montreal, and one newspaper published in the Borough of Manhattan, City of New

York. Such resignation shall take effect on the day specified in such notice—being not less than forty days after the first publication of such notice—unless previously a successor Trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

Any Trustee may be removed at any time by an instrument in writing under the hands of three-quarters in interest of the holders of the bonds hereby secured then outstanding.

Any Trustee so removed shall be entitled to reasonable compensation, then accrued and unpaid, and the reimbursement of proper expenses theretofore incurred and not previously reimbursed.

Should the Trustee resign, be removed or otherwise become incapable of performing its duties as a Trustee, a new Trustee who shall be a responsible Trust Company, duly authorized to do business in the Province of British Columbia shall be named in its place by the Board of Directors of the Company, and in the event of the Board of Directors failing so to do after being thereunto required by any bondholder, or if such vacancy occur after default, such appointment shall be made by the holders of a majority in amount of the outstanding bonds present at a meeting called for that purpose or by an instrument or instruments in writing signed by the holders of a majority in amount of the outstanding bonds. Any such new Trustee shall be vested with and have all the property, rights, powers and authority granted to Montreal Trust Company as Trustee hereunder and be subject in all respects to the terms, conditions and provisions hereof.

ARTICLE XVIII.

MEETINGS OF BONDHOLDERS

Meetings of the bondholders shall be convened, held and conducted in the manner following:

1. The Trustee may, at any time, and shall from time to time, on being served with notice signed by the Company or by bondholders representing at least one-tenth of the par value of the bonds outstanding convene a meeting of the bondholders. In the event of the Trustee failing to call and hold a meeting after being thereunto required by the bondholders as above set forth, the Company or the requisite number of bondholders may themselves call and hold such meeting. Bonds pledged or charged by the Company as security for loans or other indebtedness shall, for all purposes during the time the Company shall be in default here-

under, be deemed to be outstanding Bonds, and the holders thereof shall during such time be entitled to sign any notice, attend all meetings of bondholders and vote thereat in respect of the Bonds, so pledged or charged by the Company. Every such meeting shall be held at the City of Montreal, or at such other place as the Trustee may determine.

2. At least twenty days' previous notice of such meeting shall be given to the bondholders and such notice shall state the time when and the place where said meeting is to be held, and shall specify the general nature of the business to be transacted thereat. The notice shall be given in the manner set forth in paragraph 16 of Article I.

3. At any meeting of the bondholders a quorum shall consist of bondholders present in person or by proxy and representing one-half of the par value of the bonds outstanding.

4. Some person who shall be a bondholder shall be nominated by the Trustee to be chairman of the meeting, and if no person is so nominated, or if the person so nominated is not present within fifteen minutes from the time fixed for the holding of the meeting, the bondholders present shall choose one of their number to be chairman.

5. If a quorum of the bondholders shall not be present within half an hour from the time fixed for holding any meeting, the meeting shall stand adjourned to the same day in the following week or if such day is a non-juridical day then to the next juridical day, and at such adjourned meeting the holders of one-half of the par value of the bonds outstanding are not present in person or by proxy, those bondholders who are present shall be a quorum.

6. Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands. The chairman shall have a vote in addition to the vote to which he may be entitled as a bondholder.

7. On any question submitted to a meeting, bondholders representing at least Ten thousand dollars of the par value of the bonds shall be entitled to demand a poll, and such poll shall be taken at once, or after adjournment, and in such manner as the meeting shall determine, and the result of such poll shall be deemed to be a resolution of the meeting at which said poll was demanded.

8. At any meeting of the bondholders, each bondholder shall, on a poll, be entitled to one vote for every One hundred dollars (\$100.00) of

bonds which he shall be the holder. Votes may be given in person or by proxy, and a proxy need not be a Bondholder.

9. The Company may for the purpose of enabling the bondholders to be present and vote at any meeting without producing their bonds, and of enabling them to be present and vote at any such meeting by proxy) make and from time to time vary such regulations as it shall think fit for the deposit of the bonds with any bank or trust company, and for the issue to the person depositing the same of certificates by such bank or trust company entitling the holders thereof to be present and vote at any meeting and to appoint proxies to represent them and vote for them at any such meeting in the same way as if the persons so present and voting either in person or by proxy were the actual bearers of the bonds in respect whereof such certificate shall have been issued, and any regulation so made if approved by the Trustee be binding and effective and shall in accordance therewith shall be valid and shall be enacted. Save as aforesaid the only persons who shall be recognized at a meeting as the holder of any bonds, or as entitled to vote or be present at the meeting in respect thereof shall be the persons who produce such bonds at the meeting and the registered bondholders.

Holders of registered bonds may, by an instrument in writing under their hands, appoint any person as their proxy to vote at any meeting for them. In such proxy shall be stated the numbers of the bonds regarding which they are entitled to vote.

10. The Company and the Trustee, by their respective officers and directors, may attend any meeting of the bondholders. The legal advisers of the Company and the Trustee may also attend such meetings.

A meeting of the bondholders shall, in addition to all powers hereinbefore given, have the following powers exercisable from time to time by ordinary resolution only:

(a) Power to sanction any change or alteration of any provision of the Indenture and any modification or compromise of the rights of the bondholders against the Company or against its property, whether such rights arise under the provisions of this deed or otherwise.

(b) Power to require the Trustee, on having entered into or taken possession of the mortgaged premises or any part thereof, to restore the same to the Company upon such conditions as the bondholders may direct.

(c) Power to sanction any scheme for the reconstruction of the Company or for the consolidation, amalgamation or merger of the Company with any other company or for the selling or leasing of the undertaking of the Company or any part thereof.

(d) Power to authorize the Trustee to accept in satisfaction or part satisfaction for the sale or transfer of all or any part of the mortgaged premises any shares, (whether preference, ordinary, deferred or founders), bonds, debentures, mortgages, debenture stock or any other securities of any company formed or to be formed.

(e) Power to sanction the exchange of the bonds for or the conversion of the bonds into bonds, shares or other securities of the Company or any other company formed or to be formed.

(f) Power to authorize the distribution in specie of any shares or securities.

(g) Power to require the Trustee to exercise or refrain from exercising any of the powers conferred upon it by this Mortgage or to waive any default on the part of the Company other than the non-payment of any principal monies at maturity, upon such terms as may be decided on.

(h) Power to authorize the Trustee to bid at any sale of the mortgaged premises, or any part thereof, and to tender in payment or part payment on account of any property so purchased, all or any part of the bonds then outstanding and to give to the Company a valid discharge in respect of the amount of the bonds so tendered, and to hold any property so purchased and any part of the bonds then outstanding and not so tendered, in trust for all the holders of the then outstanding bonds pro rata in proportion to the amounts held by them respectively before the making of such tender.

(i) Power to remove the Trustee from office and to appoint a new Trustee or Trustees.

12. An extraordinary resolution passed at a meeting of the bondholders held in accordance with this Article shall be binding upon all the bondholders, whether present or absent, and each and every bondholder.

The expression "extraordinary resolution" when used in this Article means a resolution passed at a meeting of the bondholders duly convened and held in accordance with the provisions herein contained, and carried by a majority of the persons voting thereat upon a show of hands, or if a

poll is duly demanded, then by a majority in value of the votes given on such poll.

Provided that unless bondholders holding at least fifty-one (51) per centum of the par value of the bonds then outstanding shall have voted in favor of any such extraordinary resolution purporting to exercise the powers conferred by Section 11 (a), (c), (d), (e) or (f) of this Article, notice of the passing thereof shall be given to all the bondholders in the manner provided in Section 16 of Article II. hereof. Such resolution shall not be effective or acted upon if within one month from the giving of such notice bondholders holding more than twenty-five (25) per centum of the said outstanding bonds shall have notified the Trustee in writing that they object thereto.

13. At any meeting of the bondholders unless a poll is demanded, a declaration made by the Chairman that a resolution has been carried or carried by any particular majority or lost shall be conclusive evidence thereof.

14. Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Company, and any such minutes as aforesaid, if signed by the Chairman of the meeting at which such resolutions were passed or proceedings had, or by the Chairman of the next succeeding meeting of the bondholders, shall be prima facie evidence of the matters therein stated, and until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings had, to have been duly passed and had.

ARTICLE XIX.

INVESTMENT OF TRUST MONEYS

Unless otherwise provided in this mortgage, any moneys held by the Trustee shall, at the request of the Company, be invested in the name or under the control of the Trustee in any of the securities in which Trustees are, by the laws of the several Provinces of Canada or any of them, authorized to invest, and pending such investment, such moneys shall be placed by the Trustee on deposit at interest at the current bank rate in some chartered bank in Canada, or with the consent of the Company may be held by the Trustee as a demand deposit subject to the payment of interest at such rate as may be agreed upon by the Trustee and the Company.

**ARTICLE XX.
NON-PRODUCTION OF BONDS.**

In the event of a holder not being able to produce any bond upon the maturity thereof or at the time fixed for redemption thereof hereunder, the moneys payable to such holder shall be deposited with the Trustee in trust for such holder, and such deposit shall be deemed for all purposes of this Indenture to be a payment to such holder, and a certificate of the Trustee that the amount of such bond and of the interest thereon to the date of maturity or redemption, has been deposited with it, shall avail as a cancellation of such bond for the purposes hereof, and as a sufficient authorization to the Company to cancel the entries relating to such bond and to the Trustee to discharge pro tanto the security hereby created.

**ARTICLE XXI.
DISCHARGE OF SECURITY**

When all the bonds and interest hereby secured have been paid in full or have been provided for by deposit as aforesaid, and all other sums payable thereunder shall have been paid and all the things herein required to be performed by the Company according to the true intent and meaning of this Deed of Trust and Mortgage shall have been performed, then and in that case all the property hereby charged and mortgaged shall revert to the Company and the Trustee shall, on demand of the Company and at its cost and expense, enter satisfaction of the mortgage upon the records and cause a discharge and acquittance of the same to be duly effected according to law, freed and discharged from the trusts herein contained and otherwise release the mortgage premises from this security.

**ARTICLE XXII.
PROTECTION OF THE TRUSTEE**

By way of supplement to the provisions of any Act of any of the Provinces of Canada for the time being relating to Trustees, it is expressly declared as follows, that is to say:—

1. The Trustee may in relation to these presents act on the opinion or advice of or information obtained from any lawyer, valuer, surveyor, broker, auctioneer or other expert, whether obtained by the Trustee or by the Company, or otherwise, but shall not be bound to act upon such opinion or advice and shall not be responsible for any loss occasioned by so acting or by not acting as the case may be; it may take legal or other advice and employ such assistance as may be necessary to the proper discharge of its duties and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid.

2. That any such advice or opinion or information may be sent or obtained by letter, telegram or cablegram, and that the Trustee shall not be liable for acting on any advice, opinion or information purporting to be conveyed by any such letter, telegram or cablegram although the same shall contain some error or shall not be authentic.
3. That the Trustee shall only be accountable for reasonable diligence in the management of the trusts hereof, and shall not be liable for any act or default on the part of any co-Trustee, or for having permitted any co-Trustee to receive and retain any moneys payable to the Trustee hereunder, but the Trustee hereof shall only be liable for its own wilful acts and defaults.
4. That the Trustee is to be at liberty to place all bonds, stock certificates, debentures or other securities or deeds or other documents of title to any of the mortgaged premises, in any safe or receptacle selected by the Trustee, or with any banker or banking company or lawyer or firm of good repute or other depository, or, if the Trustee thinks fit, with the manager or responsible officer of the Company, and the Trustee shall not be responsible for any loss incurred in connection with any such deposit, and the Trustee may pay out of the mortgaged premises all sums required to be paid on account of or in respect of any such deposit.
5. That the Trustee shall not be responsible for any misconduct on the part of any attorney, banker, receiver, lawyer, agent or other person appointed by it hereunder, or bound to supervise the proceedings of any such appointee.
6. That the Trustee shall not be bound to give notice to any person or persons of the execution hereof, or of the lien and charge of these presents or in any way to interfere with the conduct of the Company's business, unless and until the security hereby constituted shall have become enforceable and the Trustee shall have determined to enforce the same.
7. That the Trustee shall as regards all the trusts, powers, authorities and discretions vested in it have absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode of and time for the exercise thereof, and in the absence of fraud, it shall be in nowise responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof.
8. That no condition contained in the present deed shall be construed

as obliging the Trustee to effect or maintain the insurance against fire, or to notify the bondholders of failure to insure, nor shall it be responsible for any loss which might happen by reason of want of insurance.

9. That the Trustee is not to be held liable for failure or defect of title to, or for any encumbrance upon, the mortgaged premises or for the statements of facts or recitals in this deed or in said bonds contained, nor is such Trustee bound to verify the same; but all such statements and recitals are deemed to have been made by the Company only; and it is hereby declared and agreed by and between the parties hereto, as a condition upon which the Trustee has entered into these presents and accepted the trust hereby created, that nothing herein contained shall in any wise cast any obligation upon the Trustee to make, register or renew this or any other deed or writing by way of mortgage or otherwise from the Company, upon or of the said property or any part thereof, in order to add to the security hereby intended to be given; nor shall it be the duty of the Trustee to register or record this deed as a mortgage or otherwise or to procure any further or additional deed or instrument of further assurance, or to do any other act which may be suitable or proper to be done for the preservation of the security hereby created or for giving notice of the existence of any such charge or supplementing the same.

10. Whenever, in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that any matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed), may be deemed to be conclusively proved and established by a certificate signed by the President or a Vice-President and the Secretary or Assistant Secretary of the Company and delivered to the Trustee, and such certificate shall be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture on the faith thereof; but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

ARTICLE XXIII.

ACCEPTANCE OF TRUST BY TRUSTEE

And the Trustee, party hereto of the second part, hereby accepts the trusts in this deed declared and provided, and agrees to perform the same upon the terms and conditions hereinbefore set out.

ARTICLE XXIV.

NAME OF BONDS.

Notwithstanding anything herein contained or in the form of Bond set forth in the First Schedule hereto, the name and description of the bonds secured hereby shall be determined by the Company and the Trustee with the consent in writing of said Royal Securities Corporation, Limited, at any time before the engraving or printing of the definitive bonds hereunder.

ARTICLE XXV.

The headings of all the preceding articles and sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this deed.

ARTICLE XXVI.

This Indenture may be simultaneously executed in several counterparts, each of which so executed shall be deemed to be original, and such counterparts together shall constitute but one and the same instrument.

The following are the First and Second Schedules herein referred to:—

THE FIRST SCHEDULE.

(Form of Bond)

DOMINION OF CANADA.

PROVINCE OF BRITISH COLUMBIA.

No.....	(\$1,000)
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WHALEN PULP & PAPER MILLS, LIMITED.

Six Per Cent. Serial Mortgage Gold Bond.

For Value Received, WHALEN PULP & PAPER MILLS, LIMITED, a corporation organized and existing under and by virtue of the laws of the Province of British Columbia (hereinafter called "the Company") hereby acknowledges itself indebted and promises to pay to the bearer hereof, or, if registered, then to the registered holder hereof, the sum of ONE THOUSAND DOLLARS in gold coin of the Dominion of Canada of or equal to the present standard of weight and fineness, on the first day of May, A.D. 1932, at the office of the Merchants Bank of Canada at Montreal, or Toronto, Canada, or at the option of the holder in gold coin of the United States of America of or equal to the present standard of weight and

fineness at the office or agency of the Merchants Bank of Canada in the Borough of Manhattan, City of New York, in the State of New York, or at the office of the Northern Trust Company, Chicago, in the State of Illinois, or in English Sterling at the office of The London Joint Stock Bank, Limited, in London, England, at the fixed rate of exchange of Four dollars and eighty-six and two-thirds cents (\$4.86 2-3) to the pound sterling (£), with interest thereon from the first day of May, 1917, until maturity thereof, at the rate of six (6) per cent. per annum, payable half yearly, at like option, at said offices, in like money, on the first day of May and the first day of November in each year on presentation and surrender of the respective interest coupons hereto annexed as they severally become due. Both principal and interest of this bond are payable without deduction for any tax or taxes which the Company may be required to pay thereon, or retain therefrom under any present or future law of the Dominion of Canada, or of any province, county or municipality therein, the Company hereby assuming the payment of all such taxes.

This bond is one of an issue limited in the first instance to Two Million (2,000,000) Dollars par value of bonds of the Company, and bearing the serial letters A to M, both inclusive, distinguishing the respective years of maturity thereof, each series of bonds being numbered from one (1) and upwards. Said bonds are in denominations of one thousand dollars (\$1,000) and five hundred (\$500) each and are uniform in tenor, date and effect, differing only as to denomination and maturity.

The said bonds are issued and to be issued under and equally secured by a Deed of Trust and Mortgage, of even date herewith, made by the said Company to MONTREAL TRUST COMPANY as Trustee, mortgaging, pledging and charging to and in favour of said Trustee all of the present and future undertakings, real and personal property, tolls, incomes, rights, powers and franchises of the Company, whether now owned or hereafter acquired, references thereunto being hereby made for the particular terms and conditions thereof on which the said bonds are issued and secured, and for a description of the properties mortgaged, pledged and charged and the security therefor, and the rights of the bondholders in regard thereto.

The right is reserved to the Company, upon the terms and conditions in said Deed of Trust and Mortgage contained, to issue further bonds, not exceeding Two million (2,000,000) dollars par value (making a total aggregate of Four million (4,000,000) dollars, all ranking pari passu) and to purchase Bonds at any time on the public market or by private sale at any price, not exceeding the redemption price hereinafter mentioned, and to redeem from time to time any or all of said bonds from time to time

outstanding and unpaid, on any semi-annual interest payment day by the payment of principal, accrued interest and a premium of two and one-half per cent. of the principal of the bonds so redeemed, and upon giving four weeks' previous notice, in the manner provided in said Deed of Trust and Mortgage, of the intention so to do; provided, however, that in the event of redemption of a part only of the bonds outstanding and unpaid, the particular bonds so to be redeemed shall be selected by the Trustee by

This bond is subject to the conditions hereon endorsed.

This bond shall not be valid and obligatory unless and until certified by the Trustee upon the certificate hereon provided for such purpose.

IN WITNESS WHEREOF, WHALEN PULP & PAPER MILLS, LIMITED, has caused these presents to be signed in its corporate name by its President or Vice-President, and Secretary or Assistant Secretary, and its corporate seal to be hereunto affixed in their presence, and each of the interest coupons hereto attached to have placed thereon the engraved or lithographed fac-simile of the signature of its Treasurer or Secretary this first day of May, A.D. 1917.

.....
President or Vice-President.

.....
Secretary or Assistant Secretary.

THE CONDITIONS WITHIN REFERRED TO.

To be Endorsed on the Bonds.

1. If the principal moneys hereby secured shall become payable by redemption or otherwise before the stated maturity hereof, the person presenting this Bond for payment must surrender therewith the coupons representing interest subsequent to the date fixed for redemption or payment, the Company nevertheless paying the interest for the fraction of the current half year, if the date fixed for payment be not an interest due date.
2. Delivery by the holder to the Company of this bond and of each of the said interest coupons shall be a good discharge for the principal moneys and interest therein respectively specified.
3. The principal moneys hereby secured shall immediately become payable in the event of the security constituted by the said Deed of Trust and Mortgage becoming enforceable and the Trustee thereof determining or becoming bound to enforce the same.
4. A register of the bonds will be kept at the office of the Trustee, in the City of Montreal, and in such other place or places and by such other Registrar or Registrars as may be prescribed by the Company and approved by the Trustee, wherein there will be entered the names, addresses and descriptions of the registered holders and particulars of the bonds held by them respectively. The address of the holders of unregistered bonds can also be entered in books kept for such purpose by the Company at the office of the Trustee in the City of Montreal.
5. Except when registered this bond is transferable by delivery, but the Trustee or other Registrar will at any time, upon the request of the bearer, whilst unregistered, register him or his nominee in the register above mentioned as the holder of this bond, and endorse hereon a note of such registration, and the Trustee or other Registrar will also at any time upon the request of the registered holder or his executors or administrators, cancel the registration and the note thereof endorsed hereon, whereupon this bond will again become transferable by delivery. A fee of fifty cents shall be paid to the Trustee or other Registrar upon every such registration or cancellation. Neither the Company or the Trustee or the Registrar shall be bound to register or to take notice of or in any way to see to the execution of any trust affecting the ownership of any bond, nor be affected by notice of any equity that may be subsisting in respect thereof.

6. Every transfer of this bond when registered must be in writing under the hand of the registered holder or his attorney duly authorized or his executors or administrators. The transfer must be delivered at the office of the Trustee or other Registrar with a fee of fifty cents, and such evidence of identity or title as the Trustee or other Registrar may reasonably require, and thereupon the transfer will be registered and a note of such registration will be endorsed hereon. The Trustee or other Registrar shall be entitled to retain the transfer.

7. The registered holder for the time being of this bond when registered, and the bearer hereof for the time being when not registered and the bearer of each of the interest coupons aforesaid shall be entitled to the principal money and interest secured by such instruments respectively free from any equities between the Company and the original or any intermediate holder hereof and all persons may act accordingly, and the receipt of such registered holder or bearer, as the case may be, for such principal money and interest shall be a good discharge to the Company, which shall not be bound to enquire into the title of such registered holder or bearer, save as ordered by some Court of competent jurisdiction, or as required by statute, to take notice of any trust or equities affecting the ownership of such instruments or moneys.

8. In the case of joint registered holders, the principal money hereby secured shall be deemed to be owing to them upon a joint account and may be paid to the holder whose name appears first on the register, and whose receipt therefor shall constitute a valid discharge to the Trustee and the Company.

9. Any notice may be given to or served upon the holder of this bond, if it has not been registered or if the holder has not registered his post office address with the Trustee, by advertising the same in "The New York Times," or such other newspaper, published in the City of New York, U. S. A., as the Trustee may approve, and "The Gazette," or such other newspaper published in the City of Montreal, Canada, as the Trustee may approve, in two consecutive issues, and whilst so registered, by sending it through the post in a registered prepaid letter addressed to such person at his registered address; and any notice so advertised or served by post shall be deemed to have been given ten days after it is posted or first advertised, as the case may be.

10. This Bond, except when registered, is to be treated as negotiable, and all persons are invited by the Company to act accordingly.

(Form of Interest Coupon)

Coupon No. \$10

THE WHALEN PULP & PAPER MILLS, LIMITED, will pay the bearer hereof on the first day of A.D. 19.... THIRTY DOLLARS in gold coin of the Dominion of Canada at the office of the Merchants Bank of Canada at Montreal, or Toronto or in gold coin of the United States of America at the agency of the Merchants Bank of Canada in the City of New York, United States of America, or at the office of the Northern Trust Company in Chicago, United States of America, or in English Sterling at the office of The London Joint Stock Bank, Limited, in London, England, at the fixed rate of exchange of Four dollars and eighty-six and two-thirds cents (\$4.86 2-3) to the pound Sterling (£), being the half yearly interest at the rate of six per cent. per annum then due on its Six Per Cent. Serial Gold Mortgage Bond No.....

.....
Treasurer or Secretary.

(Form of Trustee's Certificate)

This is to certify that this is one of the bonds described in the within mentioned Deed of Trust and Mortgage.

MONTREAL TRUST COMPANY, Trustee,

By.....

(Form of Registration)

No writing person except by the Registrar.

Date of Registry In whose name registered Signature

.....
.....
.....
.....
.....

THE SECOND SCHEDULE.

PART ONE.

\$625,000.00 fully paid preference shares and \$1,250,000.00 fully paid ordinary shares in the capital stock of the Empire Pulp & Paper Mills, Limited.

PART TWO.

\$650,000.00 fully paid preference shares and \$1,224,000.00 fully paid ordinary shares in the capital stock of the Colonial Lumber and Paper Mills, Limited.

PART THREE.

Freehold Lands.

ALL that parcel or tract of land situate in Vancouver District in the Province of British Columbia, and known as District Lot 2351.

ALL that parcel or tract of land situated in Vancouver District in the Province of British Columbia, and known as District Lot 8759.

125.30

Timber Leasehold Lands.

All that Timber Lease dated the fifth day of January, 1903, and made between His late Majesty the King of the One Part and the Yorkshire Guarantee & Securities Corporation, Limited, of the other part, comprising all that land in the District of New Westminster known as Lot Thirteen Hundred and Thirty-seven (1337), Group One (1), containing five hundred and thirty-eight (538) acres, more or less, with the right to cut and carry away timber therefrom for the term of twenty-one (21) years from the twenty-fifth day of May, 1903, at the annual rental until the twenty-fifth day of May, 1922, of Fifty-three Dollars and Eighty Cents (\$53.80) and for remainder of such term at such rent as may then be prescribed by any statute of the said Province, which lease has by divers mesne assignments become vested in the Company.

Quarry Leasehold Lands.

All that Quarry Lease dated the 27th day of February, 1914, and made between His Majesty the King of the One Part, and The British Columbia Sulphite Fibre Company, Limited, of the other part, comprising all that land in the District of New Westminster known as Lot 3439, Group 1, containing 40 acres, more or less, with the right to use the premises thereby demised as a limestone quarry for twenty-one (21) years.

Water Records.

1. Water Record No. Sixteen Hundred and Two (1602) issued to George F. Whalen, in pursuance of the Water Act, 1909, dated the twenty-fifth day of June, 1909, conferring the right to take and use fifty-six (56) cubic feet of water per second from Cedar Creek, Howe Sound, to be used for industrial purposes upon Lot Thirteen Hundred and Thirty-seven (1337), Group One (1), New Westminster District; annual fee, Fifty-six Dollars (\$56.00).

2. Water Record No. Sixteen Hundred and Three (1603), issued to George F. Whalen, in pursuance of the Water Act 1909, dated the twenty-fifth day of June, 1909, conferring the right to take and use fifty-six (56) cubic feet of water per second from Mill Creek, Howe Sound, to be used for industrial purposes upon Lot Thirteen Hundred and Thirty-seven (1337), Group One (1), New Westminster District annual fee, Fifty-six Dollars (\$56.00).

Pulp Licenses.

1. Timber Sale Contract No. X.48, being an Indenture made the 7th day of January, 1914, between His Majesty the King and The British

Columbia Sulphite Fibre Company, Limited, granting a License to cut and remove all the merchantable timber from the lands described therein, situated on Sutlej Channel, and comprising an area of 1,070 acres, renewable yearly during the term of 8 years from the date of the Contract, subject to the payment of the annual rentals and stumpage rates and Forest Protection dues therein mentioned.

2. Timber Sale Contract No. X.51, being an Indenture made the 31st day of December, 1913, between His Majesty the King and The British Columbia Sulphite Fibre Company, Limited, granting a License to cut and remove all the merchantable timber from the lands described therein, situated on Broughton Island, and comprising an area of 958 acres, renewable yearly during the term of 3 years from date of the Contract, subject to the payment of the annual rentals and stumpage rates and Forest Protection dues therein mentioned.

The quarry leasehold lands, water records and timber sale contracts above referred to have, by divers mesne assignments, become vested in the company.

IN WITNESS WHEREOF, this Indenture has been duly executed under the Corporate Seal of the Company and by and on behalf of the Trustees the day of May, 1917, these presents to bear for the purposes of reference the date first above written namely first May, 1917.

The corporate seal of the
Whalen Pulp & Paper Mills,
Limited, was hereto affixed
in the presence of

ALLAN PATERSON,
President or Vice-President.

P. S. CURTIS, (L.S.)
Secretary or Assistant Secretary.

MONTREAL TRUST COMPANY,

A. G. PUTNAM,
Acting Manager.

LAND REGISTRY ACT.
FOR THE SECRETARY (OR OTHER OFFICER) OF A CORPORATION.

I HEREBY CERTIFY that, on the 28th day of May, 1917, at the City of Vancouver, in the Province of British Columbia, Philip S. Curtis, personally known to me, appeared before me and acknowledged to me that he is the Secretary of Whalen Pulp & Paper Mills, Limited, and that he is the person who subscribed his name to the annexed instrument as Secretary of the said Company and affixed the seal of the said Company to the said instrument, that he was first duly authorized to subscribe his name as aforesaid, and affix the said seal to the said instrument, and that such Corporation is legally entitled to carry on business in the Province of British Columbia.

IN TESTIMONY whereof I have hereto set my hand, Vancouver, British Columbia, this 28th day of May, in the year of our Lord one thousand nine hundred and seventeen.

A. H. DOUGLAS,
A Commissioner for taking affidavits within British Columbia.

LAND REGISTRY ACT.

FOR THE SECRETARY (OR OTHER OFFICER) OF A CORPORATION.

I HEREBY CERTIFY that, on the 28th day of May, 1917, at the City of Vancouver, in the Province of British Columbia, Philip S. Curtis, personally known to me, appeared before me and acknowledged to me that he is the Secretary of Whalen Pulp & Paper Mills, Limited, and that he is the person who subscribed his name to the annexed instrument as Secretary of the said Company, and affixed the seal of the said Company to the said instrument, that he was first duly authorized to subscribe his name as aforesaid, and affix the said seal to the said instrument, and that such Corporation is legally entitled to carry on business in the Province of British Columbia.

IN TESTIMONY whereof I have hereto set my hand at Vancouver, British Columbia, this 28th day of May, in the year of Our Lord one thousand nine hundred and seventeen.

A. H. DOUGLAS,
A Commissioner for taking affidavits within British Columbia.

This Indenture, dated the 5th day of July, one thousand nine hundred and seventeen:

Between:

WHALEN PULP & PAPER MILLS, LIMITED, a company duly incorporated under the laws of the Province of British Columbia, Dominion of Canada, and having its head office in the City of Vancouver in said Province (hereinafter called "the Company"),

Of the First Part,
and

MONTREAL TRUST COMPANY, a Company duly incorporated and having its Head Office in the City of Montreal in the Province of Quebec, Dominion of Canada, and duly licensed to do business in the Province of British Columbia (hereinafter called "the Trustee"),

Of the Second Part

Is supplemental to an Indenture (hereinafter called the "Trust Deed") dated the 1st day of May, 1917, and made between the Company of the one part and the Trustee of the other part being a deed of Trust and Mortgage constituting and securing \$4,000,000 of 6 per cent. Serial Mortgage Gold Bonds of the Company, of which only \$2,000,000 par value have at this date been issued.

Whereas by Clause 3 (b) of Article II of the Trust Deed the Company did covenant and agree with the Trustee that in the event of its acquiring all the undertaking, property and assets of the Colonial Lumber and Paper Mills, Limited, (hereinafter referred to as the "Colonial Company"), it would cause a Supplemental Deed of Trust and Mortgage to be executed and registered, mortgaging and charging as and by way of a fixed and specific first charge to and in favor of the Trustee as security for the bonds issued under the Trust Deed and interest thereon, all present and future concessions, pulp and timber leases and licenses, water records, water licenses and franchises, and all real and immoveable property and

rights, present and future, of the Colonial Company, and as and by way of a floating charge in favor of the Trustees all the other assets of the Colonial Company both present and future, of whatsoever kind and wheresoever situate;

And Whereas the Company has acquired the undertaking, property and assets of the Colonial Company;

Now therefore this Indenture witnesseth and declareth as follows:

1. That in pursuance of the Company's agreement in that behalf contained in the Trust Deed, and in consideration of the premises and of the sum of \$1.00 to it in hand paid by the Trustee (the receipt whereof is hereby by it acknowledged), and to secure the due payment of the principal and interest of the bonds secured by and the performance of the obligations of the Company contained in the Trust Deed, and in pursuance of every power and authority it thereunto enabling, the Company hereby mortgages and charges as and by way of a fixed and specific first charge in favor of the Trustee with the payment of the principal and interest of the bonds issued by the Company and certified by the Trustee under the Trust Deed at any time outstanding according to their tenor, and all other sums from time to time due under the Trust Deed to the Trustee, its successors and assigns, all and singular the present and future concessions, pulp and timber leases and licenses, water records, water licenses and franchises, and all the real and immoveable property and rights now owned or hereafter acquired by the Company, with all buildings, erections, factories, mills, tramways, reservoirs, wells, roads, piers, wharves, machinery, plant, poles, wires, telephones, railway sidings and trestles thereon erected, and any and all easements connected therewith or appertaining thereto, and all its fixed and loose machinery, plant, tools, engines and other appliances and fixtures of every kind thereon or used in connection therewith, including but without in any way limiting the generality of the foregoing description, the properties described and mentioned in the Schedule hereto; and in pursuance of the same agreement and for the same considerations, and for the same purposes, and pursuant to the same powers, the Company hereby charges, in favor of the Trustee, with the payment of all principal moneys, interest and other moneys for the time being and from time to time owing on the security of the Trust Deed and of the bonds secured thereby, all its assets for the time being, both present and future, of whatsoever kind and wheresoever situate (other than the premises hereinbefore mortgaged and charged as and by way of a fixed and specific first charge), including its undertaking, good-will, tolls, rents, incomes, moneys, rights, powers and privileges; and the last mentioned charge shall (except as

regards the premises hereinbefore mortgaged and charged as and by way of a fixed and specific first charge), be a floating charge and shall accordingly in no way hinder or prevent the Company, until the security constituted by the Trust Deed shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, from selling, alienating, mortgaging, hypothecating, charging, leasing, paying dividends out of profits or otherwise disposing of or dealing with such assets in the ordinary course of business, and for the purpose of carrying on the same, but without limiting the generality of the foregoing provision it shall in no way hinder or prevent the Company from borrowing from bankers or others on the security of the Company's book debts, cordwood, pulpwood (but not standing timber) pulp, paper, logs, lumber, raw materials or other stock-in-trade, or mercantile documents relating to goods sold or shipped to or by the Company, such sums of money as the Company may from time to time deem necessary for the purpose of carrying on its business, and the Company covenants that it will not, save as aforesaid, create any mortgage or charge on the said premises, or any part thereof, ranking or purporting to rank in priority to or pari passu with the security hereby constituted; TO HAVE AND TO HOLD the said premises unto the Trustee, its successors and assigns forever, but in trust nevertheless as security for the payment of the principal and interest of the bonds secured by the Trust Deed, and for the purposes and subject to the conditions, provisions, covenants and stipulations therein expressed.

2. The Trust Deed and these presents shall be read and construed together as one document to the same intent and with the like effect as if the mortgage and charge hereby created had been contained in the Trust Deed, and all the agreements, provisions and stipulations contained therein with regard to the premises thereby mortgaged and charged shall apply with like force and effect to the premises hereby mortgaged and charged; and the premises hereinbefore mortgaged and charged as and by way of a fixed and specific first charge shall be deemed to be included whenever the term "specifically mortgaged premises" appears in the Trust Deed; and the premises hereinbefore mortgaged and charged as and by way of a floating charge shall be deemed to be included whenever the term "general assets" appears in the Trust Deed.

3. The Trustee shall deliver to the Company, in accordance with the provisions in that behalf contained in said clause 3 (b) of said Article II of the Trust Deed, all the shares in the capital stock of the Colonial Lumber and Paper Mills, Limited, mentioned in Part 2 of the Second Schedule annexed to said Trust Deed, as soon as these presents shall be executed by

the Company and the Trustee and registered in the office of the Registrar of Joint-Stock Companies under the provisions of the Companies' Act.

IN WITNESS WHEREOF this Indenture has been duly executed under the Corporate Seal of the Company and by and on behalf of the Trustee the 5th day of July, 1917.

The Corporate Seal of the Whalen Pulp & Paper Mills Limited, was hereunto affixed in the presence of:

L. S.

GEO. F. WHALEN,
Vice-President.

ALLAN PATERSON,
Secretary.

MONTREAL TRUST COMPANY,
F. Donaldson, Director.
W. S. Greene, Manager.
L. S.

Civil Law

SCHEDULE REFERRED TO IN THE ANNEXED INSTRUMENT.

FREE-HOLD LANDS :

All that parcel or tract of land situate in Rupert District in the Province of British Columbia, and known as Lot 1187, containing 150 acres more or less.

WOOD PULP LEASE-HOLDS :

All that Wood Pulp Lease dated 11th March, 1916, and made between His Majesty the King as Lessor of the one part, and Colonial Lumber and Paper Mills Limited as Lessee of the other part, of all those parcels of land situated in Rupert District in the Province of British Columbia and being :

Lot 170 containing	1746	acres
Lot 172 " 	1756	"
Lot 173 " 	8908	"
Lot 174 " 	1845	"
Lot 176 " 	5300	"
Lot 176a " 	160	"
Lot 184a " 	633	"
Lot 185 " 	1748	"
Lot 186 " 	4624	"
Lot 190 " 	2208	"
Lot 192 " 	860	"
Lot 193 " 	2835	"
Lot 194 " 	1136	"
Lot 196 " 	623	"
Lot 198 " 	7556	"
Lot 201 " 	4690	"
	46,628	acres

Save and excepting thereout that portion of
Lot 198 Rupert District covered by P. R.
1407 and known as the West $\frac{1}{2}$ of the
S. E. $\frac{1}{4}$ of Section 3, Township 9, com-
prising 80 acres.

Less	80	"
	46,548	"

And save and excepting thereout that portion
of Lot 190, containing 150 acres more or

less, now known as Lot 1187, released to
the Crown by Colonial Lumber and Paper
Mills Limited.

Less 150 "

46,898 acres

All that Wood Pulp Lease dated 11th March, 1916, and made between
His Majesty the King as Lessor of the one part and Colonial Lumber and
Paper Mills Limited as Lessee of the other part, of all those parcels of
land situated in Rupert District in the Province of British Columbia, and
being :

Lot 195 containing	1323 acres
Lot 197 "	3340 "
Lot 199 "	2400 "
Lot 203 "	1755 "
Lot 243 "	223 "
	<u>9041 "</u>

Save and excepting thereout that portion of
Section 1, Quatsino, comprising 91 acres
more or less, which may overlap Lot 197,
Rupert District.

Less 91 "

8950 acres

FORESHORE LEASEHOLDS :

All that Foreshore Lease dated 9th June, 1916, between His Majesty
the King as Lessor of the one part and Colonial Lumber and Paper Mills
Limited as Lessee of the other part, of Lot 1186, Rupert District, in the
said Province.

All that Foreshore Lease dated 9th June, 1916, between His Majesty
the King as Lessor of the one part, and Colonial Lumber and Paper Mills
Limited as Lessee of the other part, of Lot 1188, Rupert District, in the
said Province.

WATER RECORDS :

All that Water Record No. 66, authorizing the diversion of 560 cubic
feet per second of water from Victoria and Alice Lakes, the validity of
which record has been determined by the Board of Investigation under the
"Water Act 1914" by two orders both dated 20th day of March, 1916, and
numbered 3698 and 3699, respectively.

LAND REGISTRY ACT.
FOR THE SECRETARY OF A CORPORATION.

I HEREBY CERTIFY that on the 9th day of July, 1917, at the City of Vancouver in the Province of British Columbia, ALLAN PATERSON, personally known to me, appeared before me and acknowledged to me that he is the Secretary of Whalen Pulp & Paper Mills, Limited, and that he is the person who subscribed his name to the annexed instrument as Secretary of the said Company and affixed the seal of the Company to the said instrument, that he was first duly authorized to subscribe his name as aforesaid, and affix the said seal to the said instrument, and that such Corporation is legally entitled to carry on business in the Province of British Columbia.

IN TESTIMONY WHEREOF I have hereto set my hand this 9th day of July in the year of our Lord one thousand nine hundred and seventeen.

A. H. DOUGLAS,
A Commissioner for taking affidavits within British Columbia.

Certificate No. 3393 (1910)

CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR
CHARGE PURSUANT TO SECTION 102 OF THE
"COMPANIES ACT."

I HEREBY CERTIFY that a mortgage or charge, dated the fifth day of July, 1917, and created by WHALEN PULP & PAPER MILLS, LIMITED, in favor of MONTREAL TRUST COMPANY, for further securing an issue of 6 Per Cent. Serial Mortgage Gold Bonds not exceeding in the aggregate the sum of Four Million Dollars, (\$4,000,000.00) was this day registered pursuant to Section 102 of the "Companies Act."

GIVEN under my hand at Victoria, British Columbia, this eleventh day of July, one thousand nine hundred and seventeen.

H. G. GARRETT,
Registrar of Joint-Stock Companies.

This Indenture dated the 18th day of September one thousand nine hundred and seventeen:

Between:

WHALEN PULP & PAPER MILLS, LIMITED, a company duly incorporated under the laws of the Province of British Columbia, Dominion of Canada, and having its head office in the City of Vancouver in said Province (hereinafter called "the Company"),

Of the First Part,
and

MONTREAL TRUST COMPANY, a Company duly incorporated and having its Head Office in the City of Montreal in the Province of Quebec, Dominion of Canada, and duly licensed to do business in the Province of British Columbia (hereinafter called "the Trustee").

Of the Second Part

Is supplemental to an Indenture (hereinafter called the "Trust Deed") dated the 1st day of May, 1917, and made between the Company of the one part and the Trustee of the other part, being a Deed of Trust and Mortgage constituting and securing \$4,000,000 of 6 per cent. Serial Mortgage Gold Bonds of the Company, of which only \$2,000,000 par value have at this date been issued; AND IS ALSO SUPPLEMENTAL to an Indenture (hereinafter called the "first Supplemental Trust Deed") dated the 5th day of July, 1917, and made between the Company of the one part and the Trustee of the other part, further securing the said Bonds.

Whereas by Clause 3 (b) of Article II. of the Trust Deed the Company did covenant and agree with the Trustee that in the event of its acquiring all the undertaking, property and assets of the Empire Pulp & Paper Mills, Limited, (hereinafter referred to as the "Empire Company"), it would cause a supplemental Deed of Trust and Mortgage to be executed and registered, mortgaging and charging as and by way of a fixed and specific first charge to and in favor of the Trustee as security for the Bonds issued under the Trust Deed and interest thereon, all present and future concessions, pulp and timber leases and licenses, water records, water licenses, and franchises, and all real and immovable property and rights, present and future, of the Empire Company, and as and by way of a floating charge in favor of the Trustee all the other assets of the Empire Company both present and future of whatsoever kind and wheresoever situate;

And Whereas the Company has acquired the undertaking, property and assets of the Empire Company;

Now therefore this Indenture Witnesseth and Declarereth as follows:—

1. That in pursuance of the Company's agreement in that behalf contained in the Trust Deed, and in consideration of the premises and of the sum of \$1.00 to it in hand paid by the Trustee (the receipt whereof is hereby by it acknowledged, and to secure the due payment of the principal and interest of the bonds secured by and the performance of the obligations of the Company contained in the Trust Deed, and in pursuance of every power and authority it thereunto enabling, the Company hereby mortgages and charges as and by way of a fixed and specific first charge in favor of the Trustee with the payment of the principal and interest of the bonds issued by the Company and certified by the Trustee under the Trust Deed at any time outstanding according to their tenor, and all other sums from time to time due under the Trust Deed to the Trustee, its successors and assigns, all and singular the present and future concessions, pulp and timber leases and licenses, water records, water licenses and franchises, and all the real and immovable property and rights now owned or hereafter acquired by the Company, with all buildings, erections, factories, mills, tramways, reservoirs, wells, roads, piers, wharves, machinery, plant, poles, wires, telephones, railway sidings and treaties thereon erected, and any and all easements connected therewith or appertaining thereto, and all its fixed and loose machinery, plant, tools, engines and other appliances and fixtures of every kind thereon or used in connection therewith, including but without in any way limiting the generality of the foregoing description, the properties described and mentioned in the Schedule hereto; and in pursuance of the same agreement and for the same considerations, and for the same purposes and pursuant to the same powers, the Company hereby charges, in favor of the Trustee, with the payment of all principal moneys, interest, and other moneys for the time being and from time to time owing on the security of the Trust Deed and of the bonds secured thereby, all its assets for the time being, both present and future, of whatsoever kind and wheresoever situate (other than the premises hereinbefore mortgaged and charged as and by way of a fixed and specific first charge, including its undertaking, good-will, tolls, rents, incomes, moneys, rights, powers and privileges; and the last mentioned charge shall (except as regards the premises hereinbefore mortgaged and charged as and by way of a fixed and specific first charge), be a floating charge and shall accordingly in no way hinder or prevent the Company, until the security consti-



tuted by the Trust Deed shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, from selling, alienating, mortgaging, hypothecating, charging, leasing, paying dividends out of profits or otherwise disposing of or dealing with such assets in the ordinary course of business, and for the purpose of carrying on the same, but without limiting the generality of the foregoing provision it shall in no way hinder or prevent the Company from borrowing from bankers or others on the security of the Company's book debts, cordwood, pulpwood (but not standing timber) pulp, paper, logs, lumber, raw materials or other stock-in-trade, or mercantile documents relating to goods sold or shipped to or by the Company, such sums of money as the Company may from time to time deem necessary for the purpose of carrying on its business, and the Company covenants that it will not, save as aforesaid, create any mortgage or charge on the said premises, or any part thereof, ranking or purporting to rank in priority to or pari passu with the security hereby constituted; TO HAVE AND TO HOLD the said premises unto the Trustee, its successors and assigns forever, but in trust nevertheless as security for the payment of the principal and interest of the bonds secured by the Trust Deed, and for the purposes and subject to the conditions, provisions, covenants and stipulations therein expressed.

2. The Trust Deed and these presents shall be read and construed together as one document to the same intent and with the like effect as if the mortgage and charge hereby created had been contained in the Trust Deed, and all the agreements, provisions and stipulations contained therein with regard to the premises thereby mortgaged and charged shall apply with like force and effect to the premises hereby mortgaged and charged; and the premises hereinbefore mortgaged and charged as and by way of a fixed and specific first charge shall be deemed to be included whenever the term "specifically mortgaged premises" appears in the Trust Deed; and the premises hereinbefore mortgaged and charged as and by way of a floating charge shall be deemed to be included whenever the term "general assets" appears in the Trust Deed.

3. The Trustee shall deliver to the Company, in accordance with the provisions in that behalf contained in said clause 3 (b) of said Article II of the Trust Deed, all the shares in the capital stock of the Empire Pulp and Paper Mills, Limited, mentioned in Part 1 of the Second Schedule annexed to said Trust Deed, as soon as these presents shall be executed by the Company and the Trustee and registered in the office of the Registrar of Joint-Stock Companies under the provisions of the Companies' Act.

4. Clause 1 of Article III of the Trust Deed is hereby amended by adding after the word "therewith" in the third line from the end of said Clause 1, the words "and all seagoing ships and other property capable of being specifically mortgaged and charged."

IN WITNESS WHEREOF this Indenture has been duly executed under the Corporate Seal of the Company and by and on behalf of the Trustee the 18th day of September, A.D., 1917.

The Corporate Seal of the Whalen Pulp & Paper Mills Limited, was hereunto affixed in the presence of:

L. S.

GEO. F. WHALEN,
Vice-President.

ALLAN PATERSON,
Secretary.

MONTREAL TRUST COMPANY,
C. E. Neill, Director.
W. S. Greene, Manager.

L. S.

Swanson Bay

SCHEDULE REFERRED TO IN ANNEXED INSTRUMENT.

FREEHOLD LANDS :

All and singular those certain parcels or tracts of land and premises situate lying and being in Coast District in the Province of British Columbia, and more particularly known and described as Lots 10, 64 and 171 Range 4.

WOOD PULP LEASEHOLDS :

(a) That certain Indenture of Lease made the 3rd day of August, 1915, between His Majesty the King and the Swanson Bay Forests Wood Pulp and Lumber Mills Limited, of the following parcels of land and all situate in Range 3, Coast District in the Province of British Columbia, and being :

Lot 57	containing	3,805	acres
Lot 58	"	1,602	"
Lot 59	"	317	"
Lot 60	"	1,656	"
Lot 61	"	464	"
Lot 62	"	1,293	"
Lot 63	"	2,132	"
Lot 64	"	535	"
Lot 65	"	193	"
Lot 66	"	1,705	"
Lot 67	"	3,258	"
Lot 68	"	1,067	"
Lot 69	"	516	"
Lot 70	"	426	"
Lot 71	"	1,682	"
Lot 72	"	233	"
Lot 73	"	237	"
Lot 74	"	881	"
Lot 75	"	646	"
Lot 76	"	934	"
Lot 77	"	591	"
Total		24,173	acres

(b) That certain Indenture of Lease made the 3rd day of August, 1915, between His Majesty the King and the Swanson Bay Forests Wood Pulp and Lumber Mills Limited, of the following parcels of land, all situate in Range 3, Coast District, in said Province, and being :

Lot 56 containing	269	acres
Lot 128 "	12,695	"
Lot 129 "	1,092	"
Lot 130 "	6,231	"
Lot 131 "	1,266	"
Lot 132 "	77	"
Lot 133 "	703	"
Lot 134 "	1,156	"
Total	23,489	acres

(c) That certain Indenture of Lease made the 3rd day of August, 1915, between His Majesty the King and the Swanson Bay Forests Wood Pulp & Lumber Mills Limited, of the following parcels of land all situate in Range 4 Coast District, in said Province and being :

Lot 28 containing	2,856	acres
Lot 24 "	340	"
Lot 25 "	920	"
Lot 26 "	440	"
Lot 27 "	1,776	"
Lot 29 "	105	"
Lot 30 "	106	"
Lot 106 "	106	"
Lot 107 "	305	"
Lot 108 "	1,209	"
Total	8,163	acres

(d) That certain Indenture of Lease made the 3rd day of August, 1915, between His Majesty the King and the Swanson Bay Forests Wood Pulp & Lumber Mills Limited, of the following parcels of land all situate in Range 4, Coast District, in the Province of British Columbia, and being:

Lot 28 containing	3,011	acres
Lot 43 "	4,526	"
Lot 44 "	380	"
Lot 45 "	4,526	"
Lot 46 "	130	"
Lot 47 "	254	"
Lot 48 "	657	"
Lot 49 "	394	"
Lot 50 "	2,450	"

Lot 52	"	1,575	"
Lot 53	"	394	"
Lot 54	"	3,865	"
Lot 55	"	173	"
Lot 56	"	34	"
Lot 57	"	531	"
Lot 58	"	2,075	"
Lot 59	"	1,354	"
Lot 60	"	1,995	"
Total		28,324	acres

QUARRY LEASEHOLDS:

(a) That certain Indenture of Lease made the 24th day of September, 1907, between His Majesty the King as Lessor of the one part and The Canadian Pacific Sulphite Pulp Company, Limited, as Lessee of the other part, of Lot 146, Range 3, Coast District, in said Province.

(b) That certain Indenture of Lease made the 24th day of September, 1907, between His Majesty the King as Lessor of the one part and The Canadian Pacific Sulphite Pulp Company, Limited, as Lessee of the other part, of Lot 147, Range 3, Coast District, in said Province.

SPECIAL TIMBER LICENSES:

All those Timber Licenses Nos. 34608, 34609, 34610 and 34611, to cut, fell and carry away timber upon four tracts of land situate on North Erick Island, in Coast District, Range 3, each containing 640 acres more or less.

WATER RECORD:

All that water right for power purposes of 15,000 inches of water out of a lake situated about one mile above Swanson Bay, in the said Province of British Columbia, opposite Princess Royal Island, and which empties into a river which turns into Swanson Bay, and which said lake is known as Yule Lake.

LAND REGISTRY ACT.

FOR THE SECRETARY (OR OTHER OFFICER) OF A CORPORATION.

I HEREBY CERTIFY that on the 25th day of September, 1917, at the City of Vancouver in the Province of British Columbia, ALLAN PATERSON, personally known to me, appeared before me and acknowledged to me that he is the Secretary of Whalen Pulp & Paper Mills Limited, and that he is the person who subscribed his name to the annexed instrument as Secretary of the said Company and affixed the seal of the Company to the said instrument, that he was first duly authorized to subscribe his name as aforesaid, and affix the said seal to the said instrument, and that such Corporation is legally entitled to carry on business in the Province of British Columbia.

IN TESTIMONY WHEREOF I have hereto set my hand this 25th day of September in the year of our Lord one thousand nine hundred and seventeen.

A. H. DOUGLAS,
A Commissioner for taking affidavits within British Columbia.

Certificate No. 3398 (1910)

CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR
CHARGE PURSUANT TO SECTION 102 OF THE
"COMPANIES ACT."

I HEREBY CERTIFY that a mortgage or charge, dated the eighteenth day of September, 1917, and created by WHALEN PULP & PAPER MILLS, LIMITED, in favor of MONTREAL TRUST COMPANY, for further securing an issue of 6 Per Cent. Serial Mortgage Gold Bonds not exceeding in the aggregate the sum of Four Million Dollars, (\$4,000,000.00) was this day registered pursuant to Section 102 of the "Companies

GIVEN under my hand at Victoria, British Columbia, this twenty eighth day of September, one thousand nine hundred and seventeen.

H. G. GARRETT,
Registrar of Joint-Stock Companies.

